



2019/2020

**ANNUAL IDP, BUDGET AND
SUPPORTING DOCUMENTATION
OF MOGALE CITY LOCAL
MUNICIPALITY**

ANNUAL BUDGET OF
MOGALE CITY LOCAL
MUNICIPALITY

2019/2020 TO 2021/2022
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Mayor's Report

Mayor to deliver his speech at the final approval of the budget.

1.2 Introduction

1. The South African economy at a crossroads

“South Africa finds itself at a crossroads. The Medium Term Budget Policy Statement (MTBPS) presented by the Minister of Finance, Mr Tito Mboweni highlights the difficult economic and fiscal choices confronting government over the next several years. In the 2018 MTBPS, the Minister of Finance stated that given *the current economic climate the country faces, the government is confronted by difficult economic and fiscal choices over the medium term*. The Minister further indicated that South Africa needs to choose a path that leads to faster and more inclusive economic growth and strengthens private and public sector investment.

During the first half of this year, South Africa experienced a technical recession – that is, declining of the two consecutive quarters of Gross Domestic Product (GDP) – driven primarily by contractions in agriculture and mining.

The 2018 projected GDP growth forecast has been revised down from 1.5 per cent to 0.7 percent. Growth is expected to recover gradually to over 2 per cent in 2021 as confidence returns and investment gathers pace”.

2. Tabling of funded budgets

The importance of tabling funded budgets is highlighted in MFMA Circular No. 74 and 89. Adopting a funded budget has become more critical now than before as it has direct bearing on the financial sustainability of the municipality.

As per MFMA Circular No. 93 no municipality must adopt an unfunded budget in the future. There are cases that may warrant a plan as this may not be achievable over one year. As a result, such municipalities must, together with their 2019/20 MTREF budget, table a plan in a municipal council on how and by when the budget will improve from an unfunded to a funded position.

This will be essential when the National and provincial treasuries are assessing the budget to determine its credibility. The assessment of the 2018/19 MTREF budgets have shown a deterioration with more budgets being unfunded. Plans and support will have to be re-evaluated to produce a positive outcome.

Mogale City has over the years have been phasing a rapid development or growth, which essentially meant that whilst there is infrastructure that requires continued maintenance and/or rehabilitation, there is a huge demand for new infrastructure to cater specifically for backlogs and previously under-served areas.

Therefore, the approach adopted in developing this budget was to align IDP Priorities and Strategies to National and Provincial KPA's using zero based budgeting, development or review of key budget related policies; and tracking the achievement of the legislative mandate.

As such the available resources are allocated underpinned by the following principles:

- The municipality is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- The municipality is also committed to ensuring that consultation on the budget takes place as widely as possible.
- To achieve funded budgets on an affordable basis now and in future.
- The municipality is further committed to levying affordable tariff increases and in this regard we have considered zero in Property rates and cemeteries tariffs, consumer price index (CPI) target band of 6% increase in refuse removal and other sundry tariffs to alleviate the burden in our customers due to above inflation rate tariffs increase on electricity and water that is beyond municipalities control.
- Electricity tariffs is set to increase by 9,41% as per NERSA approval given to Eskom on bulk purchase, NERSA is still in the process of issuing the tariff increase guideline for municipalities.
- Water tariffs is increasing by 7.9% as proposed by Rand Water.
- Mogale City is committed to allocate effectively the limited resources against the ever increasing demands by looking at ways and means of reducing costs and improving efficiencies to maximize resources.

1.3. Recommended to Municipal Council

1. That the draft annual IDP, Budget & SDBIP of Mogale City Local Municipality for the financial year 2019/2020 and the indicative estimates for the two projected outer years 2020/2021 and 2021/2022, as set out in the schedules listed below be **tabled** in order to present these proposals to stakeholders for consultation:
 - 1.1. The annual IDP, Budget & SDBIP of the municipality for the financial year 2019/2020 and the multi-year and single year capital appropriations as set out in the following tables be considered for approval:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 13 (**MBRR Table A2**);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 14 (**MBRR Table A3**);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 16 (**MBRR Table A4**); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and functional classification and associated funding by source as contained in Table 17 (**MBRR Table A5**).
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be tabled as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 18 (**MBRR Table A6**);
 - 1.2.2. Budgeted Cash Flows as contained in Table 19 (**MBRR Table A7**);
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 20 (**MBRR Table A8**);
 - 1.2.4. Asset management as contained in Table 21 (**MBRR Table A9**);
 - 1.2.5. Basic service delivery measurement as contained in Table 22 (**MBRR Table A10**).
2. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the following tariffs:
 - 2.1.1. the tariffs for electricity – as set out in Schedule 4.
 - 2.1.2. the tariffs for the supply of water – as set out in Schedule 4.
 - 2.1.3. the tariffs for sanitation services – as set out in Schedule 4.
 - 2.1.4. the tariffs for property rates – as set out in Schedule 4.
 - 2.1.5. the tariffs for solid waste removal – as set out in Schedule 4.
3. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the tariffs for other services, as set out in Schedule 4.
4. The Executive Mayor of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates policy for public participation.
5. The Executive Mayor of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By-laws to give effect to the rates policy for public participation.
6. That the increase in the above tariffs is not applicable to the following property rates and cemetery fees which shall be kept at zero for 2019/2020.
7. That cognizance be taken of the introduction of shifting from volumetric or property value base for sanitation tariffs to a property value as other progressive base.

8. That cognizance be taken of the provision made for a 7.1% increase in the salaries of employees this was informed by the average CPI expected including section 54A and 56 officials.
9. That cognizance be taken made for a 6% estimated increase in salaries of councillors which still have to be announced in terms of Public Office Bearers Act.
10. That cognizance be taken of the projected cash flow surplus of R320,838 million be utilized to pay accrued expenditure at the end of 30 June 2019.
11. That an average of 2.5% to % of operating revenue around R6,654 million per month must be ring-fenced during the year in order to build cash reserves to fund own funded capital projects in future.
12. That cognizance be taken of the draft Integrated Development Plan in which the Executive Mayor identifies and prioritizes the community needs as well as recommending to the municipal council strategies, programmes and services to address these priority needs.
13. That cognizance be taken of the draft Service Delivery and Budget Implementation which the Executive Mayor defines the key performance indicators to evaluate progress in the implementation of the strategies, programmes and services.
14. That cognizance be taken of the draft annual budget for the 2019/2020 – 2021/2022 MTREF together with the draft reviewed Integrated Development Plan as hereto tabled to the Municipal Council be supported and referred to public participation in terms of Sections 22 and 23 of the Municipal Finance Management Act and that the consultation process be done in accordance with Chapter 4 of the Municipal Systems Act.
15. That comments be invited through the public participation process on the new policy namely;
 - Annexure 12: Draft Fleet Management Policy
16. That the following budget related policies, draft IDP and SDBIP be tabled for public participation:
 1. Annexure 1: Property Rates Policy
 2. Annexure 2: Property Rates By-Law
 3. Annexure 3: Virement Policy
 4. Annexure 4: Credit Control & Debt Collection Policy
 5. Annexure 5: Indigent Management Policy
 6. Annexure 6: Indigent Burial Policy
 7. Annexure 7: Grant-In-Aid Policy
 8. Annexure 8: Supply Chain Management Policy
 9. Annexure 9: Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy
 10. Annexure 10: 1% Corporate Social Responsibility Policy
 11. Annexure 11: Asset Management Policy
 12. Annexure 12: Draft Fleet Management Policy
 13. Annexure 13: Travelling Allowance Policy
 14. Annexure 14: Draft 2019/2020 IDP, Review of the 5 year IDP 2016-21
 15. Annexure 15: Draft 2019/2020 SDBIP

17. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2019/2020 financial year:

1. Borrowing Policy
2. Budget Management Policy
3. Cash Management & Investment Policy
4. Long Term Financial Planning Policy
5. Waste Management Policy
6. Write Off Policy
7. Sports & Recreation Facilities Tariff Policy
8. General Tariff Policy
9. Public Safety Tariff Policy
10. Development Contribution for Engineering Services Policy
11. Water Services By-laws
12. Mogale City Tree Management & Conservation Policy
13. Mogale City Parks By-Laws

1.4 Executive Summary

The Municipal Finance Management Act (MFMA) No 56 of 2003 section 16(2) stipulates that an annual budget must be compiled and tabled in Council by 31 March accompanied as required in terms of section 17 by the reviewed Integrated Development Plan and draft Service Delivery and Budget Implementation Plan. The Municipal Structures Act 117 of 1998 section 56(2) requires the Executive Mayor to recommend to the municipal council strategies, programmes and services to address community priority needs. On the other hand, the Municipal System Act 32 of 2000 section 34(a) requires that the municipality must review its integrated development plan annually in accordance with an assessment of its performance measurements in terms of section 41.

Subsequent to the budget being tabled, it should be made available for public consultation. Once the Executive Mayor have considered the inputs from communities and different stakeholders a final budget must be submitted to Council for consideration and approval a month before the start of the financial year.

This budget hereto presented has been compiled based on MFMA Circular No 93 issued on 07 December 2018 and MFMA Circular No 94 issued on the 08 March 2019 by National Treasury to guide municipalities with their preparation of the 2019/2020 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within that context.

The key focus of this budget is the importance of tabling funded budgets as has been highlighted in the previous MFMA Circular No. 74 and 89. Adopting a funded budget has become more critical now than before as it has direct bearing on the financial sustainability of the municipality. This budget is based on the prioritizations of key service delivery projects.

As per MFMA Circular No. 93 no municipality must adopt an unfunded budget in the future. There are cases that may warrant a plan as this may not be achievable over one year. As a result, such municipalities must, together with their 2019/20 MTREF budget, table a plan in a municipal council on how and by when the budget will improve from an unfunded to a funded position.

1. **DISCUSSION**

Mogale City has over the years have been phasing a rapid development or growth, which essentially meant that whilst there is infrastructure that requires continued maintenance and/or rehabilitation, there is a huge demand for new infrastructure to cater specifically for backlogs and previously under-served areas.

Therefore, the approach adopted in developing this budget was to align IDP Priorities and Strategies to National and Provincial KPA's using zero based budgeting, development or review of key budget related policies; and tracking the achievement of the legislative mandate.

As such the available resources are allocated underpinned by the following principles:

- ☐ The municipality is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- ☐ The municipality is also committed to ensuring that consultation on the budget takes place as widely as possible.
- ☐ To achieve funded budgets on an affordable basis now and in future.
- ☐ The municipality is further committed to levying affordable tariff increases and in this regard we have considered zero in Property rates and cemeteries tariffs, consumer price index (CPI) target band of 6% increase in refuse removal and other sundry tariffs to alleviate the burden in our customers due to above inflation rate tariffs increase on electricity and water that is beyond municipalities control.
- ☐ Electricity tariffs is set to increase by 9,41% as per NERSA approval given to Eskom on bulk purchase, NERSA is still in the process of issuing the tariff increase guideline for municipalities.
- ☐ Water tariffs is increasing by 7.9% as proposed by Rand Water.
- ☐ Mogale City is committed to allocate effectively the limited resources against the ever increasing demands by looking at ways and means of reducing costs and improving efficiencies to maximize resources.

Mogale City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70, 72, 75, 77, 79, 80,86,89, 91,93 and 94 were used to guide the compilation of the 2019/2020 MTREF.

The main challenges experienced during the compilation of the 2019/2020 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;
- The need to reflect cost reflective tariffs for Water and Sanitation with double digit increase from Rand Water of 9.7 per cent that could put more pressure to consumers.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/2020 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2019/2020 MTREF

R thousand	2017/2018 Audited Outcome	Approved Original Budget 2018/2019	Approved Adjustments Budget 2018/2019	Increase/Decrease	Budget Year 2019/2020	Budget Year +1 2020/2021	Budget Year +2 2021/2022
Total Operating Revenue (including capital transfers)	3 034 229 815	3 089 006 559	3 088 258 776	144 300 022	3 232 558 798	3 414 862 559	3 570 452 329
Total Operating Expenditure	2 812 428 093	2 699 163 617	2 738 042 163	188 097 635	2 926 139 798	3 114 321 825	3 277 309 314
Total Capital Expenditure	374 893 202	386 739 113	421 915 926	-115 496 926	306 419 000	301 543 247	302 632 514
Surplus/(Deficit) after Capital Transfers	221 801 722	389 842 942	350 216 613	(43 797 613)	306 419 000	300 540 734	293 143 015
Total Consolidated Budget	3 187 321 295	3 085 902 730	3 159 958 088	72 600 710	3 232 558 798	3 415 865 072	3 579 941 828

Total revenue has increased by 5 per cent or R144,300,022 for the 2019/2020 financial year when compared to the 2018/2019 Adjustments Budget. For the two outer years, operational will increase to 6 per cent and gradually decreases to 5 per cent respectively, equating to a total revenue growth of R337,893,531 over the MTREF when compared to the 2018/2019 adjustment budget.

Total operating expenditure for the 2019/2020 financial year has been appropriated at R2,926,139,798 and translates into a projected budget surplus of R306,419,000, of which R206,419,000 is transfer capital grants from both National & Provincial Government and R100,000,000 is funding own capital project.

When compared to 2018/2019 Adjustment Budget, operational expenditure budget has increased by 7 per cent and increase by 6 and 5 per cent for each of the respective outer years of the MTREF.

The capital budget of R306,419,000 for 2019/2020 is 27 per cent less when compared to the 2018/2019 Adjustment Budget. **Own funded capital projects are in line with objectives set out in the IDP and prioritized accordingly within the available resources.** Own funding contributes 33 per cent in 2019/2020 of the total proposed capital budget.

1.5 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of the Municipality. The reality is that we are faced with development backlogs, high unemployment rate, poverty, growing number of indigents and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues resulting in funded budget.**

The revenue base for the City for other main tariffs excluding electricity, water tariffs & sanitation have increased by 6 per cent growth.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 92 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 9.41 per cent still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariff for non-indigent residential and other consumers is increasing by 7.9 percent. Only indigent consumers will continue to receive 6kl free.
- Sanitation tariff increase of 7.9 per cent, with introduction of property value base tariff for sanitation on both residential and businesses. The introduction of this method will assist the customers in reducing the charges as is more transparent and no increase is effected in the additional levy for residential.
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase the ability to extend new services and recover costs;
- Increasing debt book;
- The municipality's Indigent Management Policy and rendering of free basic services.

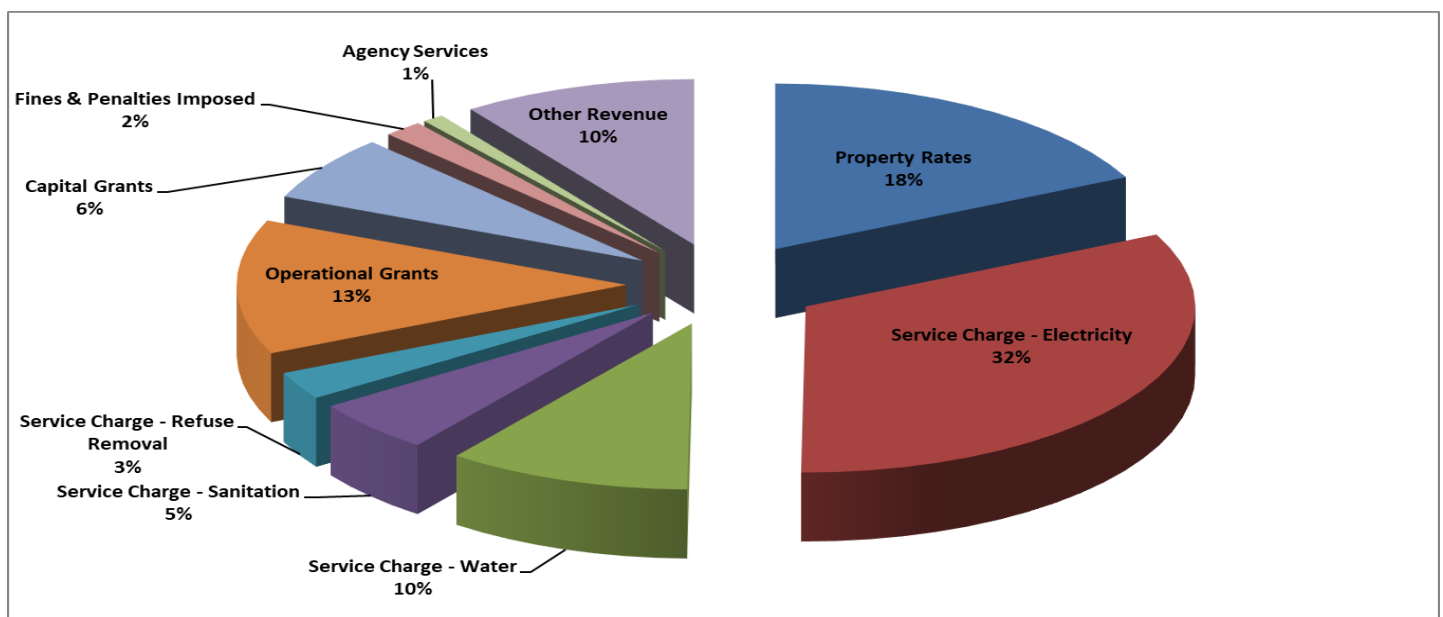


Figure 1 Main operational revenue categories

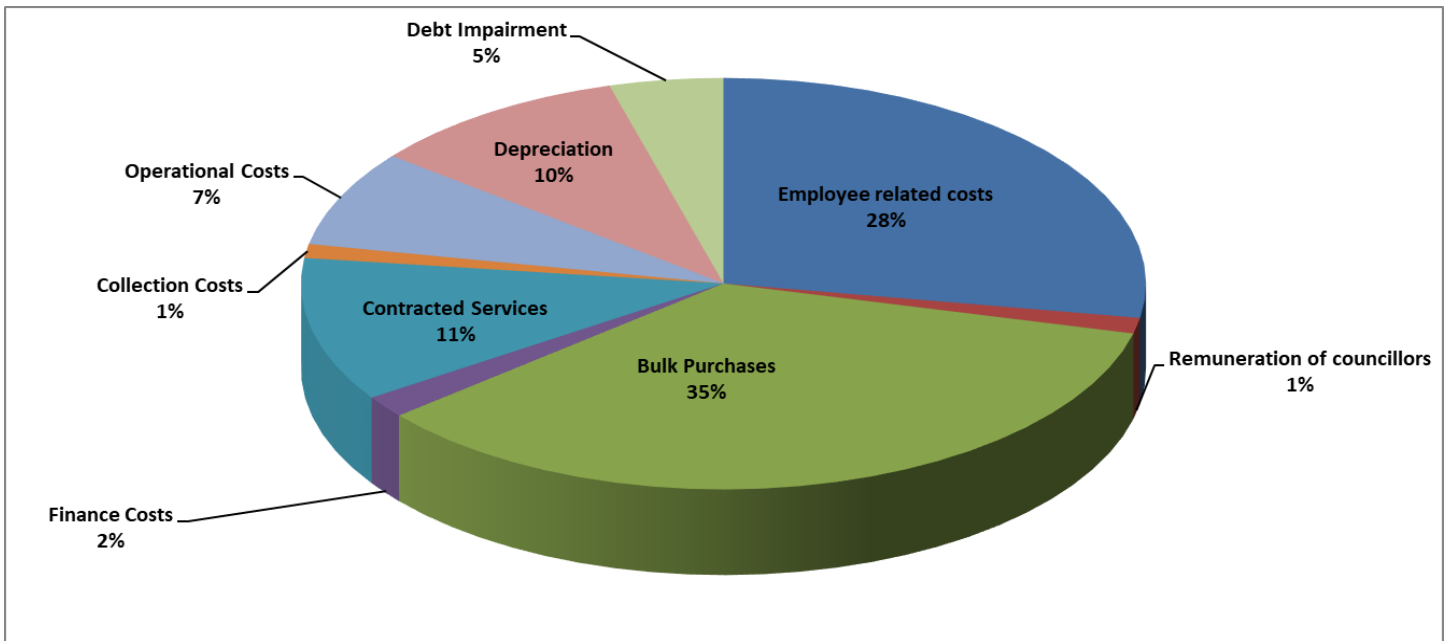


Figure 2 Main operational expenditure categories

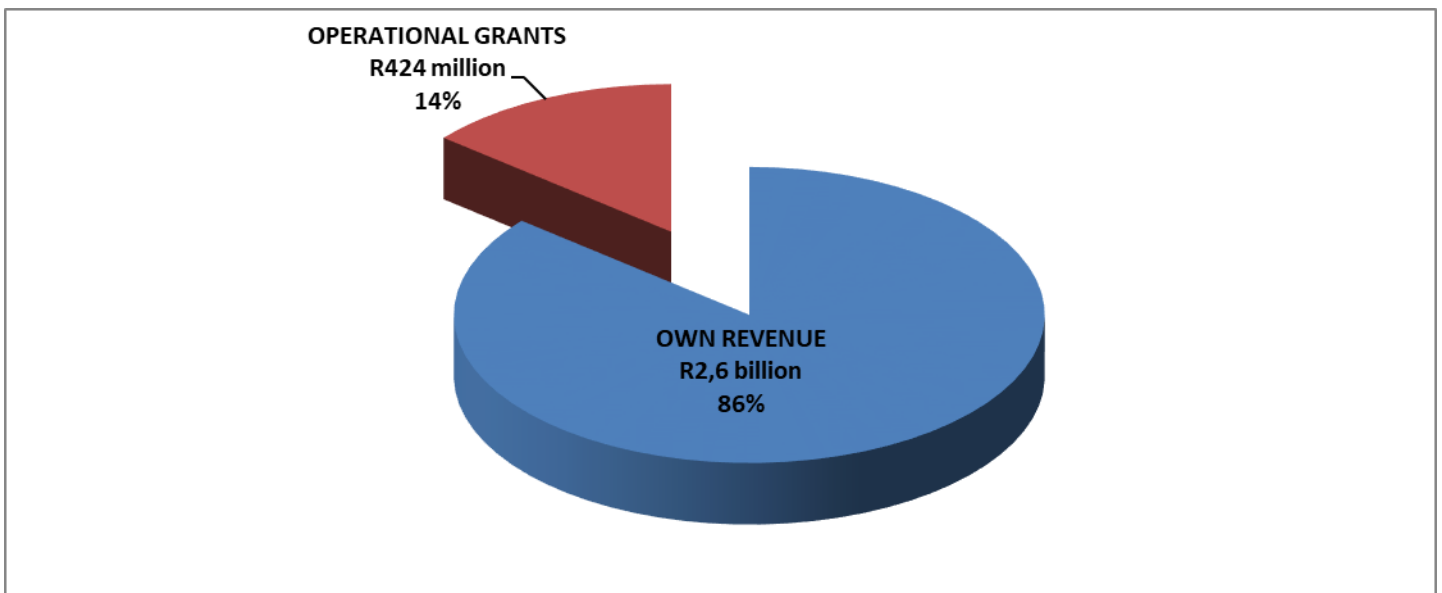


Figure 3: Source of operating revenue

During 2019/2020, Mogale City's total budget amount to approximately R3 billion, which is the split between operating and capital

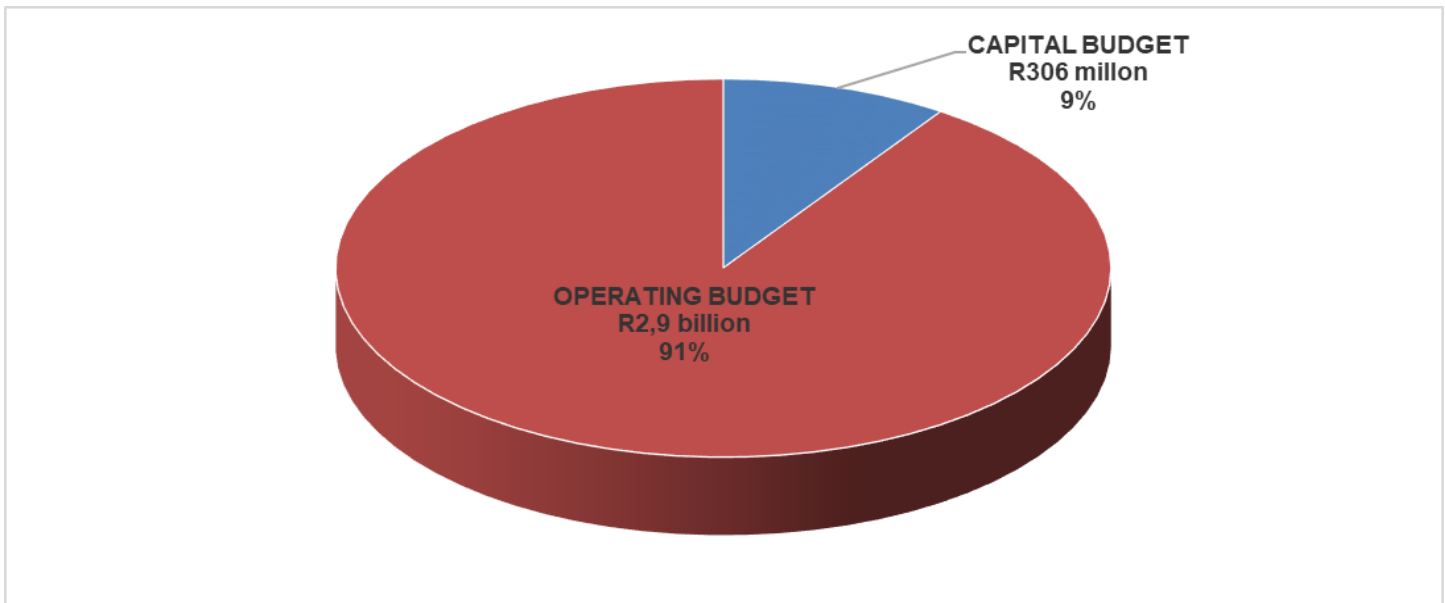


Figure 4: Operating & Capital Budget

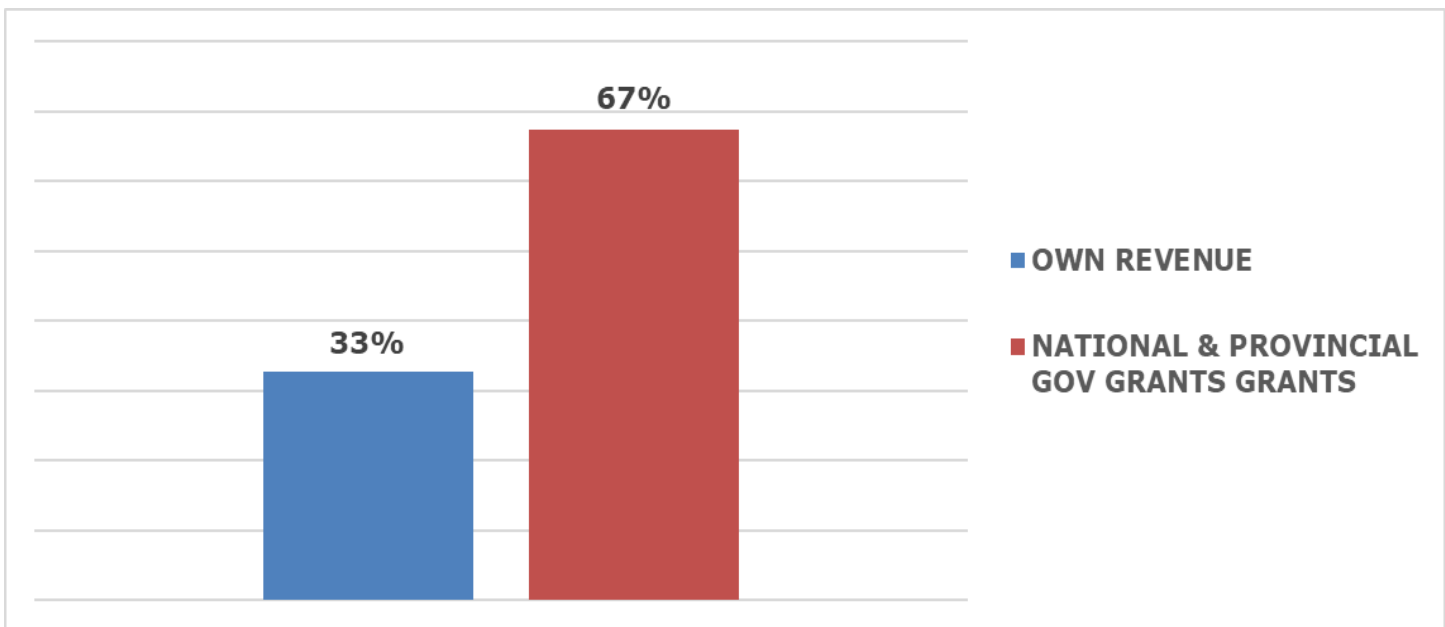


Figure 5: Source of Capital Funding

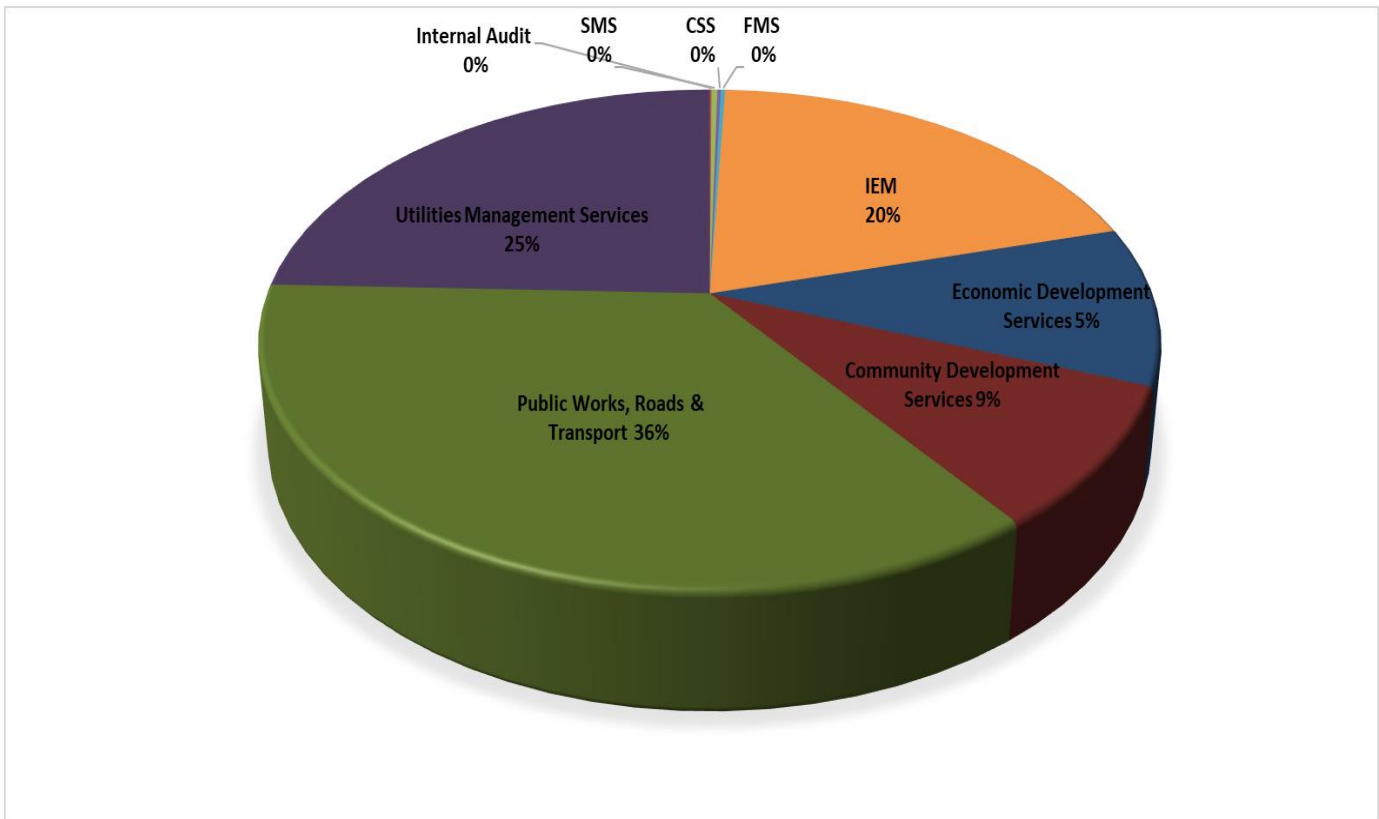


Figure 6: Capital budget per votes/departments

The following table is a summary of the 2019/2020 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2015/16	2016/17	2017/18	Current Year 2018/2019				2019/2020 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +1 2019/2020	Budget Year +1 2020/2021	Budget Year +2 2021/2022
Revenue By Source										
Property rates	438 294	468 862	498 821	575 190	560 158	560 158	560 158	576 922	611 537	648 229
Fines & Penalties imposed	160 705	48 948	71 898	43 820	49 666	49 666	49 666	52 646	55 804	59 153
Service charges - electricity revenue	834 569	862 150	863 776	948 069	955 622	955 622	955 622	1 045 547	1 130 236	1 189 234
Service charges - water revenue	302 196	258 270	273 718	280 501	303 345	303 345	303 345	327 309	353 167	381 067
Service charges - sanitation revenue	136 170	160 152	191 170	154 977	155 033	155 033	155 033	167 281	180 496	194 755
Service charges - refuse revenue	112 534	119 381	127 700	152 515	83 271	83 271	83 271	88 267	93 564	99 177
Rental of facilities and equipment	3 316	4 047	7 571	6 256	21 275	21 275	21 275	22 552	23 905	25 339
Interest earned - external investments	15 347	13 626	8 525	7 455	6 972	6 972	6 972	7 390	7 833	8 303
Interest earned - outstanding debtors	17 036	30 538	39 130	40 194	42 561	42 561	42 561	45 115	47 822	50 691
Dividends received	20	21	23	-	-	-	-	-	-	-
Licences and permits	28	33	21	35	43	43	43	46	49	52
Agency services	24 961	25 428	25 622	27 603	27 205	27 205	27 205	28 837	30 567	32 401
Transfers recognised - operational	272 822	298 894	342 502	393 901	390 138	390 138	390 138	424 272	461 028	497 707
Other revenue	127 037	98 993	300 964	143 820	123 052	123 052	123 052	239 957	198 354	157 256
Gains on disposal of PPE	-	-	-		21 000	21 000	21 000	-	-	-
Total Revenue (excluding capital transfers and contributions)	2 445 034	2 389 344	2 751 440	2 774 335	2 739 342	2 739 342	2 739 342	3 026 140	3 194 362	3 343 364

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2018/2019		2019/2020 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2019/2020	%	Budget Year +1 2020/2021	%	Budget Year +2 2021/2022	%
Property rates	560 158	20%	576 922	19%	611 537	19%	648 229	19%
Service charges - electricity revenue	955 622	35%	1 045 547	35%	1 130 236	35%	1 189 234	36%
Service charges - water revenue	303 345	11%	327 309	11%	353 167	11%	381 067	11%
Service charges - sanitation revenue	155 033	6%	167 281	6%	180 496	6%	194 755	6%
Service charges - refuse revenue	83 271	3%	88 267	3%	93 564	3%	99 177	3%
Fines & Penalties Imposed	49 666	2%	52 646	2%	55 804	2%	59 153	2%
Rental of facilities and equipment	21 275	1%	22 552	1%	23 905	1%	25 339	1%
Interest earned - external investments	6 972	0%	7 390	0%	7 833	0%	8 303	0%
Interest earned - outstanding debtors	42 561	2%	45 115	1%	47 822	1%	50 691	2%
Licences and permits	43	0%	46	0%	49	0%	52	0%
Agency services	27 205	1%	28 837	1%	30 567	1%	32 401	1%
Transfers recognised - operational	390 138	14%	424 272	14%	461 028	14%	497 707	15%
Other revenue	123 052	4%	239 957	8%	198 354	6%	157 256	5%
Total Revenue (excluding capital transfers and contributions)	2 739 342	100%	3 026 140	100%	3 194 362	100%	3 343 364	100%
Total revenue from rates and service charges	2 057 430	75%	2 205 326	73%	2 368 999	74%	2 512 463	75%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charges revenues comprise 73 per cent of the total revenue mix during 2019/2020 financial year and increases by 1 per cent in 2020/2021 to 74 per cent and gradually increase to 75 per cent in 2021/2022 financial year. During 2018/2019 financial year, revenue from rates and services charges totalled R2,1 billion or 75 per cent. This increases to R2,2 billion, R2.4 billion and R2.5 billion in the respective financial years of the MTREF. The revenue generated from rates and services charges remains constant as a result of zero increase on property rates tariffs from 2018/19 till 2019/2020 financial year. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality and indigents on service charges.

Property rates is the second largest revenue source totalling 19 per cent or R576,922 million and increases to R648,229 million by 2021/2022. The third largest source (besides other service charges) is transfer recognised-operational and sixth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R424,272 million in the 2019/2020 financial year an increase of 14 per cent when compared to 2018/2019 Adjustment Budget this increase can attributed to Equitable Share which increase to R408,061 million from R369,809 million, and steadily increases to R497,707 million or by 15 per cent over MTREF. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2015/16	2016/17	2017/18	Current Year 2018/2019			2019/2020 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/2020	Budget Year +1 2020/2021	Budget Year +2 2021/2022
R thousand									
EXPENDITURE:									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	264 858	289 984	332 050	380 841	379 056	379 056	414 092	450 678	497 180
Local Government Equitable Share	259 185	285 456	323 938	369 809	369 809	369 809	408 061	449 128	495 630
Finance Management	1 450	1 408	1 527	1 498	1 493	1 493	1 550	1 550	1 550
Municipal Systems Improvement	961	-	-	-	-	-	-	-	-
EPWP Integrated Grant	1 266	1 089	4 917	4 346	4 346	4 346	4 481	-	-
MIG (PMU)/ Intergrated Urban Development Grant	1 996	2 031	1 668	5 188	3 408	3 408	-	-	-
Provincial Government:	5 056	5 824	7 252	9 860	8 191	8 191	10 180	10 350	527
Sport and Recreation	4 882	5 824	7 252	9 360	7 691	7 691	9 680	9 850	-
GDARD: Environmental Planning & Impact Assessment	174	-	-	-	-	-	-	-	-
GDLG: PMS	-	-	-	500	500	500	500	500	527
District Municipality:	2 908	3 085	3 200	3 200	2 892	2 892	-	-	-
HIV & AIDS	2 908	3 085	3 200	3 200	2 892	2 892	-	-	-
Total operating expenditure of Transfers and Grants:	272 822	298 893	342 502	393 901	390 139	390 139	424 272	461 028	497 707

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions were taken into consideration**, Tariff setting takes place within the framework of the City's Tariff Policy. The Policy is premised on the following principles:

- Social: affordability of services, promotion of access to services, cross- subsidization of the poor where necessary and feasible, simple and easy to implement tariff structure.
- Economic: competitiveness of the City, in support of macroeconomic policies of the country, tariffs must positively influence microeconomic input costs facing firms.
- Financial: Cost- reflective tariffs linked to medium term financial framework.

The percentage of Rand Water and Electricity bulk tariffs are beyond the inflation target. Given that this tariff increase is determined by external agencies, the impact it have on the municipality's water, sanitation and electricity tariffs are largely outside the control of the municipalities.

The Eskom price increase of bulk electricity supplied to municipalities will increase by 9.4 per cent on 01st July 2019.

The National Energy Regulator (NERSA) is the regulatory authority over the energy sector in South Africa and its mandate includes the regulation of the electricity supply industry. In terms of section 4(ii) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), the Energy Regulator must regulate electricity prices and tariffs.

The Energy Regulator, on an annual basis, approves a percentage guideline increase and reviews the municipal tariff benchmarks. The guideline increase assists the municipalities in the preparation of their budgets whilst the revised benchmarks are used in the evaluation of the municipal tariff applications.

On 07 March 2018, the National Energy Regulator of South Africa approved electricity hikes of 9,41 per cent, 8,1 per cent and 5,2% for the next three financial years, far below Eskom's application for double-digit tariff leading to a bulk purchase increase of 9,41% for municipalities.

Nersa is in the process of issuing tariff increase guidelines for municipality that may offer lower increase on tariffs to municipalities whilst the municipalities are purchasing electricity at Eskom on high rate.

In compliance with the provision of the Municipal Finance Management Act and the Bulk Water Supply Contract, Rand Water on the 04th February 2019 notifies Mogale City that the potable water tariff propose increase effective from 01 July 2019 to 30 June 2020 will be 7.9 per cent. The proposal was presented to Department of Water and Sanitation (DWS) on the 25th January 2019, and submitted to National Parliament on or before 15th March 2019. All customers will receive the gazette tariff by 30th April 2019. In terms of the Water Research Act 34 of 1971, Rand Water must collect the Water Research Levy on behalf of the Water Research Commission (WRC). This is not part of Rand Water's tariff. Rand Water will inform all Municipalities in due course of the WRC tariff increase as soon as it is gazetted.

Free water to non-indigent customers

The indigent consumers will continue to receive 6kl free.

The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.5.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Cooperative Governance. MFMA Budget Circular 89, 91 and 93 for the 2019/2020 MTREF encourages municipalities ***"to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality"***.

Some categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j. (Government Gazette no.37922: 18 August 2014).

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2019/2020 financial year will remain at zero increase from 01st July 2019 is contained below:

Table 5 Proposed rates to be levied for the 2019/2020 -2021-2022 financial year

Excluding VAT	Mogale City Approved Tariffs July 2018/2019	Mogale City Proposed Tariffs July 2019/2020	Increase	PRIMARY VALUATION REDUCTION	ADDITIONAL VALUATION REDUCTION	TARIFF REBATE	ADDITIONAL REBATE		Mogale City Proposed Tariffs July 2020/2021	Mogale City Proposed Tariffs July 2021/2022
CATEGORY	R	R	R	REBATE	REBATE				R	R
	0%		0%						6%	6%
COMMERCIAL (Including Private Schools & Private Hospitals)	0.02934	0.02934	0%						0.03111	0.03297
RESIDENTIAL	0.01467	0.01467	0%	-15 000	-35 000	45%			0.01555	0.01649
MUNICIPAL	0.02934	0.02934	0%				100% (Exempted)		0.03111	0.03297
MINING	New Tariff	0.03668							0.03888	0.04121
DEVELOPERS ACCOUNT REBATE	New Tariff	0.00367							0.00389	0.00412
VACANT PROPERTIES	0.05869	0.05869	0%						0.06221	0.06594
INDUSTRIAL	0.02934	0.02934	0%						0.03111	0.03297
STATE OWNED PROPERTIES NON-RESIDENTIAL	0.02934	0.02934	0%						0.03111	0.03297
STATE OWNED PROPERTIES RESIDENTIAL	0.01467	0.01467	0%	-15 000	-35 000	45%			0.01555	0.01649
AGRICULTURAL - BUSINESS	0.02934	0.02934	0%						0.03111	0.03297
AGRICULTURAL	0.00367	0.00367	0%					Ratio 1:25	0.00389	0.00412
AGRICULTURAL - RESIDENTIAL	0.01467	0.01467	0%	-15 000	-35 000	45%			0.01555	0.01649
PLACES OF PUBLIC WORSHIP	0.01467	0.01467	0%	EXEMPTED					0.01555	0.01648
PUBLIC BENEFIT ORGANIZATION (Excluding Private Schools & Private Hospitals)	0.00367	0.00367	0%					Ratio 1:25	0.00389	0.00412
INDIGENTS	0.01467	0.01467	0%	-15 000	-35 000	45%	100% (Exempted)		0.01555	0.01649
PENSIONER REBATE. PROPERTY TAX	0.01467	0.01467	0%	-15 000	-35 000	45%	45%		0.01555	0.01649
PUBLIC SERVICE INFRASTRUCTURE (PSI)	0.00367	0.00367	0%					Ratio 1:25	0.00389	0.00412
PRIVATE OPEN SPACE	0.01494	0.01494	0%			75%			0.01583	0.01678
SPECIAL USE	0.02688	0.02688	0%						0.02849	0.03020
Consumers can comment and query tariffs via Mogale City Call Centre: 0861664253(during working hours)/ (011) 010 1500 (after hours)										

1.5.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. It is more critical to improve demand management, infrastructure maintenance, loss management, meter reading and tariff setting. The following have been taken into consideration when setting this tariffs for water:

- Water tariffs that are cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Municipalities must have an appropriate strategy to limit water losses to acceptable levels.

Water losses in 2017/2018 audited annual financial statements was 15,81 per cent or R57,068,162 on non-technical losses. Utility Management Services must vigour sly implement the water demand management strategy on continual basis to curb high water losses.

The reality is: Water loss interventions are not an overnight process whereby you are able to make a meaningful impact within the shortest period of time.

Better maintenance of infrastructure, new reservoirs construction, purchase of bulk water meters and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

Excluding VAT	Mogale City Approved Tariffs July 2018/2019 R	Mogale City Proposed Tariffs July 2019/2020 R	Mogale City % Increase/Decrease 7.90%	Mogale City Proposed Tariffs July 2020/2021 7.90%	Mogale City Proposed Tariffs July 2021/2022 7.90%
WATER					
Residential Water Tariffs					
Approved Indigents (free 6kl)	-	-	0%	R 0	R 0
1-6 kl	R 15	R 16	7.90%	R 17	R 19
7-15 kl	R 19	R 21	7.90%	R 23	R 24
16-30 kl	R 24	R 26	7.90%	R 28	R 30
31-45 kl	R 28	R 30	7.90%	R 32	R 35
46-60kl	R 31	R 33	7.90%	R 36	R 39
61 kl + above	R 34	R 36	7.90%	R 39	R 42
<i>The registered indigent will receive the allocated 6 kl free basic water per month on a daily pro rata basis.</i>					
<i>The 6kl of water that used to be free for all residents will only be free for indigents as of the 1 July 2018.</i>					
<i>This tariff is only applicable to properties used exclusively for household purposes.</i>					
Other consumers: Government Schools, NGO's and Hospitals Per kl (Excluding Private Schools & Private Hospitals)	R 22	new tariff introduced			
Other consumers: Government Schools, NGO's and Public Hospitals (Excluding Private Schools & Private Hospitals)					
1-200kl	New Tariff	R 23		R 25	R 27
>200kl + above	New Tariff	R 38		R 41	R 44
<i>Public Benefit Organizations, Non-Governmental Organizations and Cultural Organizations approved in terms of section 30 of the Income Tax Act 58 of 1962, read with items 1, 2 and 4 of the ninth Schedule to the Act; Welfare organizations registered in terms of the National Welfare Act, 1978 (Act No 100 of 1978), State Assisted Public Schools or Colleges, Public Hospitals and Churches.</i>					
Business, industrial consumers , Private Schools & Private Hospitals					
0-500 kl		R 31 new tariff introduced			
500kl + above		R 24 new tariff introduced			
1-200kl	New Tariff	R 39		R 42	R 45
>200kl + above	New Tariff	R 41		R 44	R 48
<i>These tariffs apply to the following uses: business, commercial, industrial, private school & private hospitals.</i>					

1.5.3 Sanitation and Impact of Tariff Increases

A tariff increase of 7.9 per cent for sanitation from 1st July 2019 is proposed. **It should be noted that electricity costs contribute approximately 6 per cent of waste water treatment input costs, therefore the higher than CPI increase of 7.9 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to approved indigents; and introduced property value base tariff for sanitation on both residential and businesses.
- The introduction of this method will assist the customers in reducing the charges as is more transparent and no increase is effected in the additional levy for residential.
- The total revenue expected to be generated from rendering this service amounts to R167 million for the 2019/2020 financial year.

The following table compares the current and proposed tariffs:

Table 7 Proposed sanitation tariff charges

Excluding VAT	Mogale City Approved Tariffs July 2018/2019 R	Mogale City Proposed Tariffs July 2019/2020 R	Mogale City % Increase/Decrease	Mogale City Proposed Tariffs July 2020/2021 R	Mogale City Proposed Tariffs July 2021/2022 R
SANITATION	12,2%		7.9%	7.9%	7.9%
Additional Sewerage fixed usage 30kl /month	R 248	new tariff introduced			
Basic Charges per m2	0.03512	new tariff introduced			
Basic Charges Apply to all properties				0	0
0 – 350 m2		R 13 New tariff		14	15
351 - 1000 m2		R 38 New tariff		41	44
1001 – 1400 m2		R 53 New tariff		57	62
> 1401 m2 + above		R 54 New tariff		58	63
Additional Levy Residential		R 248 New tariff		268	289
Levy Business / Industries / Hotel/ Private Hospital/ Private Schools, additional sewage prior year to date average kl usage/months		R 9 New tariff		10	10
Government School , NGO, Public Hospital Consumer, additional sewage prior year to date average kl usage/months	R 8	R 5	-39.66%	R 5	R 6
Basic Sewerage Fixed usage 30kl/month : Vacant stand	R 5	R 5	7.9%	R 6	R 6

*Comparison of current sanitation tariff and new structure:

Comparison of sanitation tariffs			
2018/19 Approved Tariff	R	2019/20 Proposed Tariff	R
Excl Vat		Excl Vat	
Current tariffs		Proposed tariffs	
Basic Charges per m2	0.03512	0 – 350 m2	R13
Additional Levy	R248.00	351 - 1000 m2	R38
		1001 – 1400 m2	R53
		> 1401 m2 + above	R54
		Additional Levy Residential	R248
Example of current tariff		Example of proposed tariff	
lower sized property		Lower sized property	
260 m2 x 0.03512	9.1312	0-350 m2	R13
9.1312 + 248	R257	13 + 248	R261
When increased by 7.9%	R277	Savings	R16
Middle sized property		Middle sized property	
938m2 x 0.03512	32.94256	351-1000m2	R38
32.94256 x 248	R281	38+248	R286
When increased by 7.9%	R303	Savings	R17
Large sized property		Large sized property	
1500m2 x 0.03512	R47.28	> 1401 m2 + above	R54
47.28+248	R295.28	54+248	R302
When increased by 7.9%	R318.61	Savings	17

1.5.4 Sale of Electricity and Impact of Tariff Increases

On 07 March 2018, the National Energy Regulator of South Africa approved electricity hikes of 9,41 per cent, 8,1 per cent and 5,2% for the next three financial years, far below Eskom's application for double-digit tariff leading to a bulk purchase increase of 9,41% for municipalities. Nersa is in the process of issuing tariff increase guidelines for municipality that may offer lower increase on tariffs to municipalities whilst the municipalities are purchasing electricity at Eskom on high rate.

Approved indigents will again be granted 50 kWh per month free of charge.

Table 8 Proposed Electricity Tariffs

APPROVED ELECTRICITY TARIFFS: 2019/2020					2018-2019 MLMC APPROVED TARIFFS		2019-2020			
Excluding VAT					Tariff Code	6.84% Mogale City Approved Tariffs July 2018/2019	Mogale City Proposed Tariffs July 2019/2020	Mogale City % Increase/Decrease 2019/2020	Mogale City Proposed Tariffs July 2020/2021	Mogale City Proposed Tariffs July 2021/2022
Excluding VAT					R / kWh Sold	R	R	9.41%	8.10%	5.22%
ENVIRONMENTAL ELECTRICITY LEVY										
1. Domestic - Single Consumers										
1.1. Pre-Paid										
1.1.1. Pre-Paid: Single Phase										
1.1.1.1. Energy (R/kWh)					0269	kWh Consumption: 1 - 1 000 kWh / Month	1.55	1.70	9.4%	1.83
1.1.1.2. Energy (R/kWh)						kWh Consumption: 1 001 - 1 500 kWh / Month	1.67	1.88	9.4%	1.97
1.1.1.3. Energy (R/kWh)						kWh Consumption: > 1 500 kWh / Month	1.74	1.90	9.4%	2.05
Fixed Charge (R/A/CB rating)										
1.1.2. Pre-Paid: Three Phase										
1.1.2.1. Energy (R/kWh)						kWh Consumption: 1 - 1 000 kWh / Month	1.55	1.69	9.4%	1.83
1.1.2.2. Energy (R/kWh)						kWh Consumption: 1 001 - 1 500 kWh / Month	1.67	1.88	9.4%	1.97
1.1.2.3. Energy (R/kWh)						kWh Consumption: > 1 500 kWh / Month	1.79	1.95	9.4%	2.11
Fixed Charge (R/A/CB rating)										
<i>This tariff is available for all residential customers single-phase 230 V or multi-phase 400/230 V connections (excluding - bulk residential complexes, body corporate, blocks of flats, etc.) With a capacity of up to and including 80 A per phase. This tariff will suit low consumption residential customers. This tariff is not available for medium and high voltage customers. This tariff is based on the inclining block principle, that is, the more units used, the higher the rate becomes.</i>										
						</				

1.5.6 Refuse Removal and Impact of Tariff Increase

A tariff increase of 6 per cent for sanitation from 1st July 2019 is proposed.

The following table compares current and proposed amounts payable from 1st July 2019:

Table 9 Proposed refuse removal

CATEGORY: Excluding VAT	Current 2018/2019	Proposed 2019/2020	INCREASE	Proposed 2020/2021	Proposed 2020/2021
MOBILE REFUSE CONTAINERS 240L BINS	Per month @			6%	6%
Domestic Refuse: One removal per week per 240l container per month or part thereof	154	164	6%	173	184
Domestic Refuse: Daily Removal per 240L container per month or part thereof	926	981	6%	1 040	1 102
Business Refuse: One removal per week per 240l container per month or part thereof	360	382	6%	404	429
Business Refuse: Daily removal per 240l container per month or part thereof	1 440	1 526	6%	1 618	1 715
Handling /Delivery Fees per container to be delivered	103	109	6%	115	122
Replacement of lost/damaged container (payable in advance if fault of user)	500	530	6%	562	596
BUSINESS WASTE REMOVALS					
Waste License Administration Fees	2 207	2 339	6%	2 480	2 629
Late Annual Waste Transporters' Licence Renewal Fees	4 164	4 414	6%	4 679	4 959
Waste Management Services Levy	147	21	-86%	22	24

1.6 Operating Expenditure Framework

The following table is a high level summary of the 2019/2020 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by functional classification item

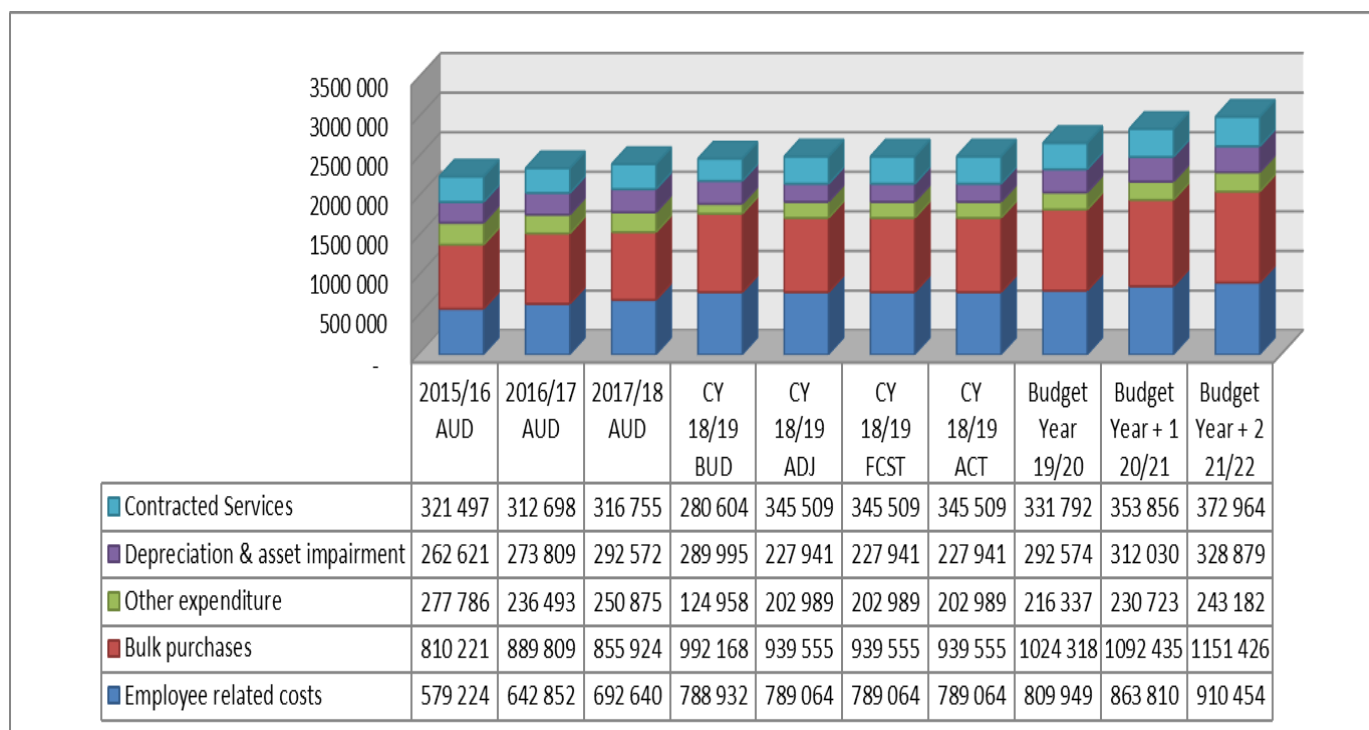
Description	2015/16	2016/17	2017/18	Current Year 2018/2019				2019/2020 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/2020	Budget Year +1 2020/2021	Budget Year +2 2021/2021
Expenditure By Type										
Employee related costs	579 224	642 852	692 640	788 932	789 064	789 064	789 064	809 949	863 810	910 454
Remuneration of councilors	26 690	29 169	33 341	37 057	37 057	37 057	37 057	36 040	38 437	40 512
Debt impairment	186 321	152 071	218 236	104 704	96 431	96 431	96 431	127 515	135 994	143 338
Collection Costs	40 760	35 247	45 107	30 000	38 395	38 395	38 395	32 068	34 201	36 047
Depreciation & asset impairment	262 621	273 809	292 572	289 995	227 941	227 941	227 941	292 574	312 030	328 879
Finance Costs	39 232	52 697	52 960	45 984	56 658	56 658	56 658	50 423	47 371	44 744
Bulk purchases	810 221	889 809	855 924	992 168	939 555	939 555	939 555	1 024 318	1 092 435	1 151 426
Contracted services	321 497	312 698	316 755	280 604	345 509	345 509	345 509	331 792	353 856	372 964
Transfers and grants	68 517	48 287	54 018	4 761	4 443	4 443	4 443	5 125	5 466	5 761
Other expenditure	277 786	236 493	250 875	124 958	202 989	202 989	202 989	216 337	230 723	243 182
Total Expenditure	2 612 869	2 673 132	2 812 428	2 699 163	2 738 042	2 738 042	2 738 042	2 926 140	3 114 322	3 277 309

- The budgeted allocation for employee related costs for the 2019/20 financial year total R809,949,061 which equals 28 per cent of the total operating expenditure and 27 per cent of total operating revenue. Employee related cost overall will increase by 7.1% based on based on the projected CPI plus 1,5% with effect from 1 July 2019 as per the salary and wage collective agreement for the period 01 July 2018 to 30 June 2021 dated 15 August 2018. The projected CPI to be used is the forecast of the Reserve Bank, in terms of the January 2019 Monetary Policy Committee Statement.
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette Notice No. 42134 of 18 December 2018) in this regard has been taken into account in compiling the City's budget and increase of 6 per cent was factored in taking into consideration.
- The provision of debt impairment was determined based on an annual collection rate of 92 per cent. For the 2019/2020 financial year this amount equates to R127,514,605. This category of expenditure informs the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R292,573,695 for the 2019/2020 financial and equates to 10 per cent of the total operating expenditure.
- Finance costs consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2 per cent or R50,423,081 of operating expenditure excluding annual capital redemption.
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**

- All costs for repairs and maintenance as per mSCOA requirements is now classified under contracted services we have 3 types of maintenance streams namely: Buildings, Plant & Equipment and General.
- Contracted services are now R331,791,545 or 11 per cent of total operating budget for 2019/2020 financial year. **Total repairs and maintenance proposed is R103,303,813. The breakdown is as follows:**
 - ✓ **Plant & Equipment (Waste water & Water Network) = R48,988,008**
 - ✓ **Streetlight = R12,000,000**
 - ✓ **Electrical Network = R11,959,999**
 - ✓ **Roads & Storm water = R8,837,006**
 - ✓ **Grass Cutting = R8,717,118**
 - ✓ **Community and Sports Facilities = R3,363,193**
 - ✓ **Municipal Own Buildings = R5,167,602**
 - ✓ **Other = R4,270,887**
- All other old line items are classified as either general expenses or other materials including grants-in-aid totalling R221,462,025.

The following table gives a breakdown of the main expenditure categories for the 2019/2020 financial year.

Figure 7 Expenditure by major type for the 2019/2020 financial year



1.6.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services, the households are required to register in terms of the Mogale City's Indigent Management Policy. The target is to register 25 000 or more indigents households during the 2019/20 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue foregone to free basic services as well as basic service delivery measurement is contained in Table 22 MBRR A10 (Basic Service Delivery Measurement) on page 47.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.7 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2019/2020 Medium-term capital budget per functional classification

	Adjusted Budget	Percentage	2019/20 Budget Year	Percentage	2020/2021 Budget Year	Percentage	2021/2022 Budget Year	Percentage
Capital Expenditure - Functional								
Executive and council	40	0%	-	0%	-	0%	-	0%
Finance and administration	25 351	6%	1 837	1%	1 031	0%	750	0%
Internal audit	45	0%	233	0%	-	0%	-	0%
Community and social services	29 567	7%	20 905	7%	9 650	3%	2 000	1%
Sport and recreation	10 859	3%	19 550	6%	17 400	6%	28 717	9%
Public safety	-	0%	1 640	1%	-	0%	0	0%
Housing	98 798	23%	-	0%	-	0%	0	0%
Planning and development	76 994	18%	37 079	12%	42 100	14%	44 250	15%
Road transport	65 148	15%	100 058	33%	99 864	33%	92 439	31%
Environmental protection	-	0%	20	0%	-	0%	0	0%
Energy sources	18 577	4%	20 747	7%	26 247	9%	22 025	7%
Water management	43 895	10%	51 050	17%	43 900	15%	45 500	15%
Waste water management	23 386	6%	3 000	1%	26 351	9%	26 952	9%
Waste management	28 257	7%	47 800	16%	30 000	10%	40 000	13%
Other	1 000	0%	2 500	1%	5 000	2%	0	0%
Total Capital Expenditure - Functional	421 916		306 419		301 543		302 633	

Furthermore, page 77 to 81 contain a detail breakdown of the capital budget per project over the medium-term.

1.8 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/2020 budget and MTREF as tabled in Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 12 MBRR Table A1 - Budget Summary

GT481 Mogale City - Table A1 Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	438 295	468 862	498 821	575 190	560 158	560 158	560 158	576 922	611 537	648 229
Service charges	1 385 469	1 399 954	1 456 363	1 536 062	1 497 272	1 497 272	1 497 272	1 628 404	1 757 462	1 864 234
Investment revenue	15 347	13 605	8 525	7 455	6 972	6 972	6 972	7 390	7 833	8 303
Transfers recognised - operational	272 822	298 894	342 502	393 901	390 138	390 138	390 138	424 272	461 028	497 707
Other own revenue	333 102	208 030	445 229	286 266	284 802	284 802	284 802	389 152	356 501	324 891
Total Revenue (excluding capital transfers and contributions)	2 445 035	2 389 344	2 751 440	2 798 874	2 739 342	2 739 342	2 739 342	3 026 140	3 194 362	3 343 364
Employee costs	579 224	642 852	692 640	784 185	789 064	789 064	789 064	809 949	863 810	910 454
Remuneration of councillors	26 690	29 169	33 341	37 057	37 057	37 057	37 057	36 040	38 437	40 512
Depreciation & asset impairment	262 621	273 809	292 572	286 136	227 941	227 941	227 941	292 574	312 030	328 879
Finance charges	39 232	52 697	52 960	56 658	56 658	56 658	56 658	50 423	47 371	44 744
Materials and bulk purchases	887 796	889 809	855 924	1 012 586	953 887	953 887	953 887	1 041 113	1 110 347	1 170 305
Transfers and grants	68 517	48 287	54 018	3 443	4 443	4 443	4 443	5 125	5 466	5 761
Other expenditure	748 790	736 509	830 973	519 098	668 992	668 992	668 992	690 916	736 862	776 653
Total Expenditure	2 612 869	2 673 132	2 812 428	2 699 164	2 738 042	2 738 042	2 738 042	2 926 140	3 114 322	3 277 309
Surplus/(Deficit)	(167 834)	(283 788)	(60 988)	99 710	1 300	1 300	1 300	100 000	80 040	66 055
Transfers and subsidies - capital (monetary allocations) (Na	152 344	142 482	282 790	290 133	348 917	348 917	348 917	206 419	220 501	227 088
Contributions recognised - capital & contributed assets	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions	(15 490)	(141 306)	221 802	389 843	350 217	350 217	350 217	306 419	300 541	293 143
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	(15 490)	(141 306)	221 802	389 843	350 217	350 217	350 217	306 419	300 541	293 143
Capital expenditure & funds sources										
Capital expenditure	470 690	245 589	374 893	386 739	421 916	421 916	421 916	306 419	301 543	302 633
Transfers recognised - capital	223 573	161 250	282 790	290 133	348 917	348 917	348 917	206 419	220 501	227 088
Borrowing	63 047	2 880	21 226	—	—	—	—	—	—	—
Internally generated funds	184 070	81 459	70 877	96 607	72 999	72 999	72 999	100 000	81 042	75 545
Total sources of capital funds	470 690	245 589	374 893	386 739	421 916	421 916	421 916	306 419	301 543	302 633
Financial position										
Total current assets	521 772	557 163	471 184	804 820	614 027	614 027	614 027	784 540	1 111 654	1 451 351
Total non current assets	6 144 455	6 044 543	6 266 167	6 321 856	6 357 033	6 357 033	6 357 033	6 278 325	6 276 704	6 259 801
Total current liabilities	836 292	1 024 787	980 206	570 295	657 823	657 823	657 823	956 592	962 419	960 845
Total non current liabilities	746 315	629 120	575 372	590 714	536 833	536 833	536 833	545 269	501 371	471 259
Community wealth/Equity	5 083 620	4 947 799	5 181 773	5 965 667	5 776 404	5 776 404	5 776 404	5 561 004	5 924 568	6 279 048
Cash flows										
Net cash from (used) operating	369 197	263 192	488 920	558 726	557 755	557 755	557 755	521 692	588 089	648 809
Net cash from (used) investing	(470 649)	(240 247)	(349 600)	(365 739)	(400 916)	(400 916)	(400 916)	(306 419)	(301 543)	(302 633)
Net cash from (used) financing	2 846	(45 487)	(143 698)	(34 666)	(34 666)	(34 666)	(34 666)	65 191	13 827	(30 112)
Cash/cash equivalents at the year end	67 292	44 752	40 375	203 074	162 549	162 549	162 549	320 838	621 211	937 275
Cash backing/surplus reconciliation										
Cash and investments available	137 585	125 059	41 059	319 560	217 542	217 542	217 542	321 556	621 965	938 066
Application of cash and investments	251 966	390 280	469 689	(20 880)	144 372	144 372	144 372	430 001	399 540	372 086
Balance - surplus (shortfall)	(114 380)	(265 221)	(428 631)	340 440	73 169	73 169	73 169	(108 445)	222 424	565 980
Asset management										
Asset register summary (WDV)	6 074 162	6 039 150	6 265 483	6 321 856	6 357 033	6 357 033	6 357 033	6 277 607	6 275 950	6 259 009
Depreciation	262 621	281 921	287 847	289 995	227 941	227 941	227 941	284 295	303 200	319 573
Renewal and Upgrading of Existing Assets	123 271	62 403	24 463	101 705	154 090	154 090	154 090	76 099	62 000	62 417
Repairs and Maintenance	77 562	100 084	94 808	95 528	366 586	366 586	366 586	426 168	428 696	451 845
Free services										
Cost of Free Basic Services provided	119 816	133 357	38 753	28 934	28 934	28 934	30 879	30 879	32 948	35 137
Revenue cost of free services provided	238 228	262 861	275 564	284 382	299 415	299 415	299 415	299 415	317 380	336 423
Households below minimum service level										
Water:	10	8	8	8	8	8	8	8	9	9
Sanitation/sewerage:	6	5	5	5	5	5	5	5	5	5
Energy:	6	11	10	10	10	10	10	10	11	11
Refuse:	24	22	21	22	22	22	22	22	23	23

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of Mogale City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		573 928	646 232	890 443	845 914	827 527	827 527	944 308	946 761	952 732
Executive and council		2 284	288	1 260	5 222	5 222	5 222	36	38	40
Finance and administration		571 640	645 944	889 183	840 692	822 305	822 305	944 272	946 723	952 692
Internal audit		4	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		249 726	170 189	253 903	278 019	274 705	274 705	149 258	162 030	159 929
Community and social services		17 607	20 131	26 480	24 392	24 393	24 393	19 241	19 406	3 080
Sport and recreation		12 163	21 371	12 842	7 008	11 708	11 708	585	620	658
Public safety		137 770	11 303	20 632	9 415	10 620	10 620	11 165	11 835	12 546
Housing		4	19 403	92 482	118 798	104 384	104 384	-	-	-
Health		82 182	97 981	101 467	118 405	123 600	123 600	118 266	130 168	143 646
<i>Economic and environmental services</i>		179 338	76 805	107 728	79 860	134 413	134 413	193 016	201 183	213 456
Planning and development		122 677	29 445	58 762	27 825	82 776	82 776	157 449	163 482	173 493
Road transport		56 661	47 361	48 967	52 035	51 637	51 637	35 566	37 700	39 962
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		1 594 286	1 638 451	1 782 016	1 856 921	1 823 017	1 823 017	1 945 487	2 104 369	2 243 785
Energy sources		881 421	911 606	926 743	1 025 723	1 035 354	1 035 354	1 132 984	1 226 679	1 294 489
Water management		341 767	305 684	338 708	345 391	371 044	371 044	401 381	432 412	466 432
Waste water management		189 002	231 737	308 721	218 301	218 358	218 358	252 157	272 827	295 412
Waste management		182 097	189 423	207 844	267 505	198 262	198 262	158 966	172 450	187 451
<i>Other</i>	4	102	148	139	28 293	28 597	28 597	490	520	551
Total Revenue - Functional	2	2 597 379	2 531 826	3 034 230	3 089 007	3 088 259	3 088 259	3 232 559	3 414 863	3 570 452
Expenditure - Functional										
<i>Governance and administration</i>		765 933	771 802	903 326	753 268	744 047	744 047	785 003	830 800	870 479
Executive and council		89 043	74 652	74 229	84 105	76 762	76 762	73 495	78 383	82 615
Finance and administration		668 282	686 626	820 163	661 555	653 222	653 222	697 539	737 521	772 162
Internal audit		8 608	10 525	8 933	7 607	14 064	14 064	13 968	14 897	15 702
<i>Community and public safety</i>		323 906	229 058	313 835	307 311	288 763	288 763	314 148	335 039	353 131
Community and social services		32 639	35 805	39 071	103 179	27 164	27 164	47 007	50 133	52 840
Sport and recreation		106 549	107 680	134 985	103 911	132 805	132 805	141 717	151 141	159 303
Public safety		155 972	60 443	112 486	66 555	75 849	75 849	82 010	87 463	92 186
Housing		14 450	7 582	9 457	13 704	14 451	14 451	15 572	16 608	17 504
Health		14 296	17 548	17 835	19 961	38 494	38 494	27 842	29 694	31 297
<i>Economic and environmental services</i>		172 777	164 941	131 359	191 672	217 814	217 814	225 290	240 271	253 246
Planning and development		65 040	58 327	80 570	73 146	92 238	92 238	87 421	93 234	98 269
Road transport		107 737	106 614	50 789	110 531	114 517	114 517	137 869	147 038	154 978
Environmental protection		-	-	-	7 995	11 059	11 059	-	-	-
<i>Trading services</i>		1 347 622	1 503 777	1 461 009	1 432 484	1 481 526	1 481 526	1 595 793	1 701 912	1 793 814
Energy sources		707 342	756 755	814 471	880 254	888 003	888 003	948 534	1 011 611	1 066 237
Water management		394 376	422 207	337 928	356 902	396 095	396 095	428 455	456 948	481 623
Waste water management		99 723	90 756	184 610	107 768	93 924	93 924	116 926	124 701	131 435
Waste management		146 182	234 059	124 000	87 560	103 505	103 505	101 878	108 653	114 520
<i>Other</i>	4	2 631	3 553	2 900	14 428	5 892	5 892	5 906	6 298	6 638
Total Expenditure - Functional	3	2 612 869	2 673 132	2 812 428	2 699 164	2 738 042	2 738 042	2 926 140	3 114 322	3 277 309
Surplus/(Deficit) for the year		(15 490)	(141 306)	221 802	389 843	350 217	350 217	306 419	300 541	293 143

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and therefore does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Revenue by Vote	1									
Vote 1 - MUNICIPAL COUNCIL		2 275	287	0	33	33	33	35	37	39
Vote 2 - MUNICIPAL MANAGER'S OFFICE		-	-	-	5 188	3 408	3 408	-	-	-
Vote 3 - INTERNAL AUDIT		4	-	-	-	-	-	-	-	-
Vote 4 - STRATEGIC MANAGEMENT SERVICES		2 320	3 002	434	706	706	706	749	794	841
Vote 5 - CORPORATE SUPPORT SERVICES		4 149	3 873	5 686	4 589	14 952	14 952	15 819	16 738	17 739
Vote 6 - FINANCIAL MANAGEMENT SERVICES		564 799	638 676	879 873	813 062	779 555	779 555	920 095	921 125	925 561
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGEMENT		194 963	205 628	228 274	279 033	210 870	210 870	188 056	203 286	220 136
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		261 203	159 280	166 746	175 827	185 658	185 658	176 292	190 686	190 304
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		121 058	47 257	152 742	168 390	215 560	215 560	44 639	47 887	48 660
Vote 10 - UTILITIES MANAGEMENT SERVICES		1 412 170	1 449 028	1 574 205	1 589 415	1 624 755	1 624 755	1 760 111	1 903 924	2 026 659
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		34 437	24 793	26 270	52 762	52 762	52 762	126 765	130 387	140 512
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	2 597 378	2 531 826	3 034 230	3 089 007	3 088 259	3 088 259	3 232 559	3 414 863	3 570 452
Expenditure by Vote to be appropriated	1									
Vote 1 - MUNICIPAL COUNCIL		70 056	59 828	57 796	55 417	54 171	54 171	54 703	58 341	61 491
Vote 2 - MUNICIPAL MANAGER'S OFFICE		11 046	6 361	7 211	7 165	6 531	6 531	7 882	8 406	8 860
Vote 3 - INTERNAL AUDIT		8 608	10 525	8 933	13 286	14 064	14 064	13 968	14 897	15 702
Vote 4 - STRATEGIC MANAGEMENT SERVICES		26 726	28 975	45 375	59 652	68 406	68 406	65 064	69 390	73 137
Vote 5 - CORPORATE SUPPORT SERVICES		151 735	161 132	170 505	120 366	133 718	133 718	145 023	154 667	163 019
Vote 6 - FINANCIAL MANAGEMENT SERVICES		339 181	302 547	414 583	265 209	282 712	282 712	296 083	309 367	320 888
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGEMENT		209 584	296 068	202 780	164 235	186 013	186 013	199 860	213 151	224 661
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		377 224	302 799	378 226	298 685	355 141	355 141	360 664	384 649	405 420
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		73 594	43 661	48 255	66 021	74 845	74 845	77 320	82 462	86 915
Vote 10 - UTILITIES MANAGEMENT SERVICES		1 197 121	1 265 382	1 333 242	1 448 428	1 378 900	1 378 900	1 482 628	1 581 221	1 666 606
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		147 994	195 855	145 521	200 700	183 540	183 540	222 945	237 770	250 610
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	2 612 869	2 673 132	2 812 428	2 699 164	2 738 042	2 738 042	2 926 140	3 114 322	3 277 309
Surplus/(Deficit) for the year	2	(15 490)	(141 306)	221 802	389 843	350 217	350 217	306 419	300 541	293 143

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.
2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 15 Surplus/ (Deficit) calculations for the trading services

Functional Classification Description	2015/16	2016/17	2017/18	Current Year 2018/19			2019/2020 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/2020	Budget Year +1 2020/2021	Budget Year +2 2021/2022
R thousand									
Electricity:									
Total Revenue (incl capital grants and transfers)	881 420	911 606	926 743	1 035 354	1 035 354	1 035 354	1 132 984	1 226 679	1 294 489
Operating Expenditure	707 341	756 755	814 471	880 254	888 003	888 003	948 534	1 011 611	1 066 237
Surplus/(Deficit) for the year	174 079	154 852	112 272	155 100	147 351	147 351	184 449	215 068	228 252
Percentage Surplus	20%	17%	12%	15%	14%	14%	16%	18%	18%
Water:									
Total Revenue(including capital grants & transfers)	341 767	305 684	338 708	345 391	371 044	371 044	401 381	432 412	466 432
Operating Expenditure	394 376	422 207	337 928	356 902	396 095	396 095	428 455	456 948	481 623
Surplus/(deficit) for the year	-52 608	-116 523	781	-11 511	-25 051	-25 051	-27 075	-24 535	-15 191
Percentage Surplus	-15%	-38%	0%	-3%	-7%	-7%	-7%	-6%	-3%

3. The electricity trading surplus is declining from 2015/16 over the 2019/2020 MTREF from 20 per cent to 16 per cent in 2019/20 financial year. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years.
4. Water has experienced a deficit from 2015/16 of about 15 per cent and decreases to 3 per cent during 2019/2020. The deficit is increasing drastically mainly to huge water losses or revenue foregone due various reasons.
4. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

Table 16 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	438 295	468 862	498 821	575 190	560 158	560 158	560 158	576 922	611 537	648 229
Service charges - electricity revenue	2	834 569	862 150	863 776	948 069	955 622	955 622	955 622	1 045 547	1 130 236	1 189 234
Service charges - water revenue	2	302 196	258 270	273 718	280 501	303 345	303 345	303 345	327 309	353 167	381 067
Service charges - sanitation revenue	2	136 170	160 152	191 170	154 977	155 033	155 033	155 033	167 281	180 496	194 755
Service charges - refuse revenue	2	112 534	119 381	127 700	152 515	83 271	83 271	83 271	88 267	93 564	99 177
Rental of facilities and equipment		3 316	4 047	7 571	6 256	21 275	21 275	21 275	22 552	23 905	25 339
Interest earned - external investments		15 347	13 605	8 525	7 455	6 972	6 972	6 972	7 390	7 833	8 303
Interest earned - outstanding debtors		17 036	30 538	39 130	40 194	42 561	42 561	42 561	45 115	47 822	50 691
Dividends received		20	21	23							
Fines, penalties and forfeits		135 658	48 948	71 898	43 820	49 666	49 666	49 666	52 646	55 804	59 153
Licences and permits		28	33	21	35	43	43	43	46	49	52
Agency services		24 961	25 428	25 622	27 603	27 205	27 205	27 205	28 837	30 567	32 401
Transfers and subsidies		272 822	298 894	342 502	393 901	390 138	390 138	390 138	424 272	461 028	497 707
Other revenue	2	152 083	99 014	300 964	147 359	123 052	123 052	123 052	239 957	198 354	157 256
Gains on disposal of PPE		–	–	–	21 000	21 000	21 000	21 000			
Total Revenue (excluding capital transfers and contributions)		2 445 035	2 389 344	2 751 440	2 798 874	2 739 342	2 739 342	2 739 342	3 026 140	3 194 362	3 343 364
Expenditure By Type											
Employee related costs	2	579 224	642 852	692 640	784 185	789 064	789 064	789 064	809 949	863 810	910 454
Remuneration of councillors		26 690	29 169	33 341	37 057	37 057	37 057	37 057	36 040	38 437	40 512
Debt impairment	3	186 321	152 071	218 236	104 704	96 431	96 431	96 431	127 515	135 994	143 338
Depreciation & asset impairment	2	262 621	273 809	292 572	286 136	227 941	227 941	227 941	292 574	312 030	328 879
Finance charges		39 232	52 697	52 960	56 658	56 658	56 658	56 658	50 423	47 371	44 744
Bulk purchases	2	810 221	889 809	855 924	992 168	939 555	939 555	939 555	1 024 318	1 092 435	1 151 426
Other materials	8	77 575		–	20 418	14 332	14 332	14 332	16 795	17 912	18 879
Contracted services		243 922	312 698	316 755	254 401	345 509	345 509	345 509	331 792	353 856	372 964
Transfers and subsidies		68 517	48 287	54 018	3 443	4 443	4 443	4 443	5 125	5 466	5 761
Other expenditure	4, 5	318 547	271 740	295 982	159 993	227 052	227 052	227 052	231 610	247 012	260 351
Loss on disposal of PPE											
Total Expenditure		2 612 869	2 673 132	2 812 428	2 699 164	2 738 042	2 738 042	2 738 042	2 926 140	3 114 322	3 277 309
Surplus/(Deficit)		(167 834)	(283 788)	(60 988)	99 710	1 300	1 300	1 300	100 000	80 040	66 055
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		152 344	142 482	282 790	290 133	348 917	348 917	348 917	206 419	220 501	227 088
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(15 490)	(141 306)	221 802	389 843	350 217	350 217	350 217	306 419	300 541	293 143
Taxation											
Surplus/(Deficit) after taxation		(15 490)	(141 306)	221 802	389 843	350 217	350 217	350 217	306 419	300 541	293 143
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(15 490)	(141 306)	221 802	389 843	350 217	350 217	350 217	306 419	300 541	293 143
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(15 490)	(141 306)	221 802	389 843	350 217	350 217	350 217	306 419	300 541	293 143

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital transfers is R3,0 billion in 2019/2020 and escalates to R3,3 billion by 2021/2022.
2. Revenue to be generated from property rates is R576,922 million during 2019/20 financial year and increases to R648,229 million by 2020/21 which represents 19 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1.6 billion for the 2019/2020 financial year and increasing to R1. 9 billion by 2021/2022.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.

The following graph illustrates the major expenditure items per type.

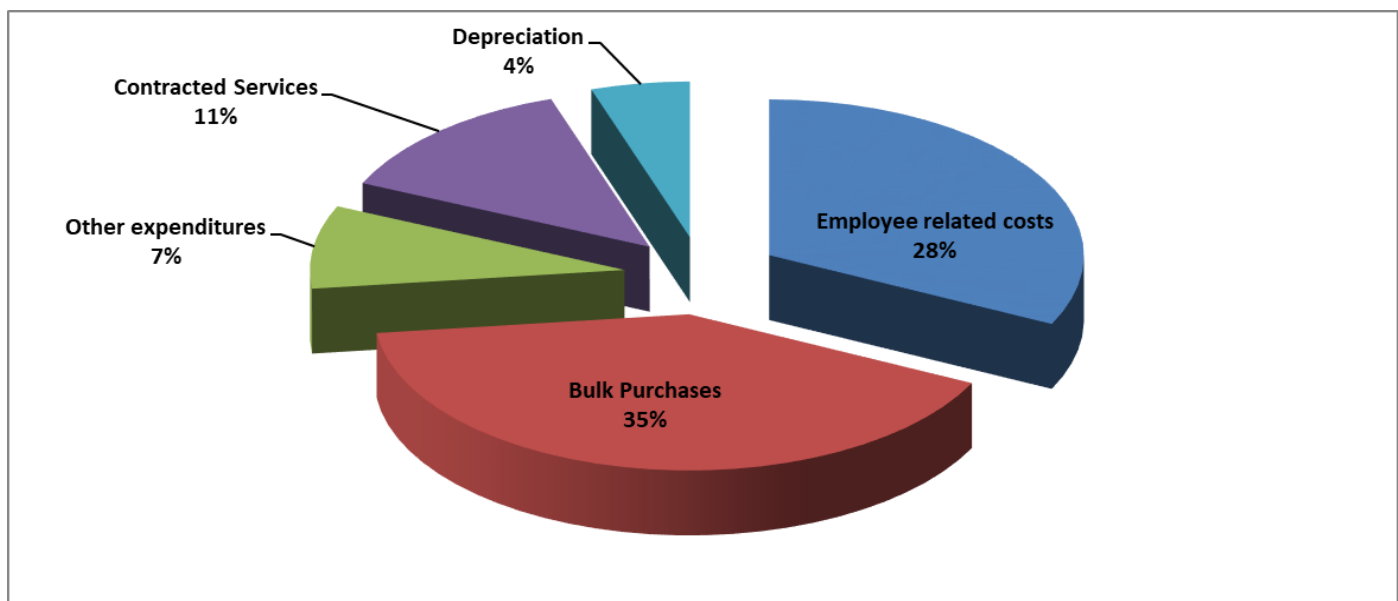


Figure 8 Expenditure by major type

5. Bulk purchases have significantly increased from 2015/16 to 2019/20 period escalating from R810 million to R1 billion million an **increase of 59 per cent** by Eskom and Rand Water over seven years.
6. Employee related costs, bulk purchases, other expenditures and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

7. The following graph illustrates the major expenditure items per type (over seven years).

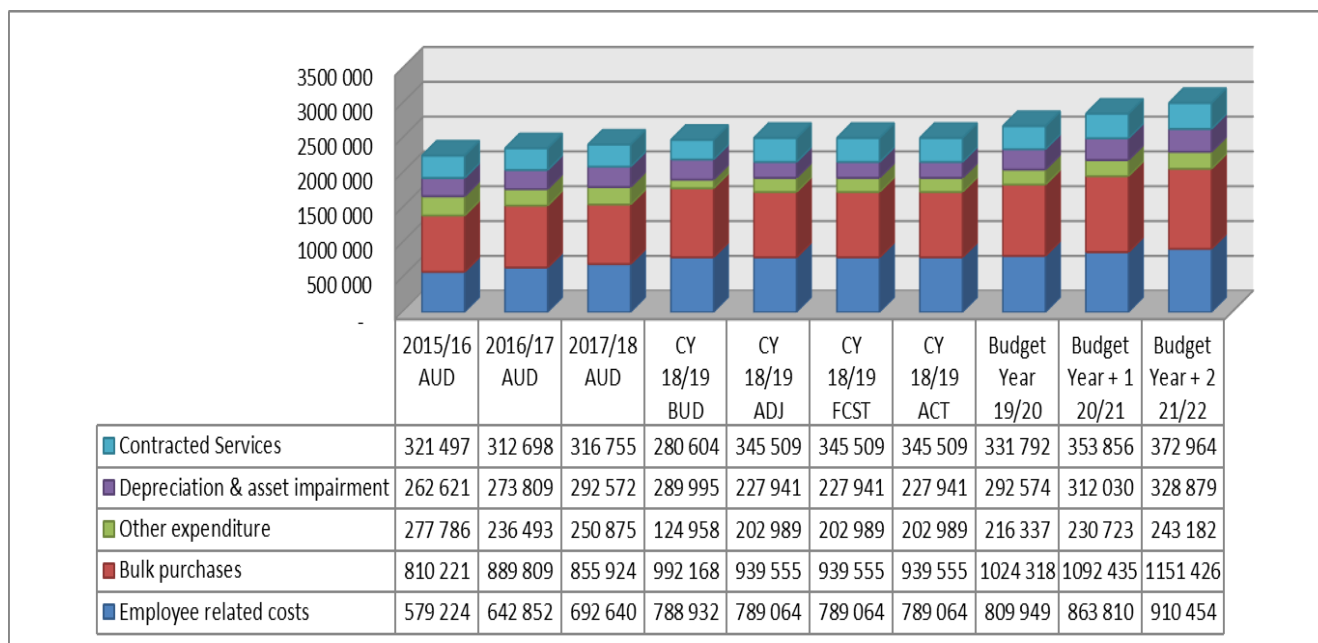


Table 17 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 3 - INTERNAL AUDIT		-	-	-	-	-	-	-	-	-	-
Vote 4 - STRATEGIC MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - CORPORATE SUPPORT SERVICES		-	-	-	-	-	-	-	150	1 000	-
Vote 6 - FINANCIAL MANAGEMENT SERVICES		-	-	-	-	-	-	-	30	31	-
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGEMENT		24 692	10 333	17 188	29 569	29 569	29 569	29 569	40 000	45 000	55 000
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		7 184	21 462	6 969	17 346	23 585	23 585	23 585	7 520	11 650	12 867
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		91 387	11 233	29 322	91 000	91 000	91 000	91 000	-	1 000	1 000
Vote 10 - UTILITIES MANAGEMENT SERVICES		165 174	87 976	107 626	47 885	38 662	38 662	38 662	60 146	93 498	95 327
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		55 730	15 872	20 784	54 955	51 255	51 255	51 255	134 008	144 964	136 939
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	344 166	146 876	181 889	240 755	234 070	234 070	234 070	241 854	297 143	301 133
Single-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL COUNCIL		347	15	2	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS OFFICE		93	-	-	20	40	40	40	-	-	-
Vote 3 - INTERNAL AUDIT		-	-	-	-	45	45	45	233	-	-
Vote 4 - STRATEGIC MANAGEMENT SERVICES		-	-	-	150	760	760	760	765	-	750
Vote 5 - CORPORATE SUPPORT SERVICES		3 674	3 513	9 237	6 000	597	597	597	298	-	-
Vote 6 - FINANCIAL MANAGEMENT SERVICES		34 739	2 060	6 991	2 053	57	57	57	544	-	-
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGEMENT		3 886	3 894	-	7 407	7 457	7 457	7 457	21 120	-	-
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		19 782	9 788	7 941	4 000	8 122	8 122	8 122	21 325	200	-
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		47 880	46 493	131 356	46 428	84 015	84 015	84 015	3 429	-	-
Vote 10 - UTILITIES MANAGEMENT SERVICES		15 599	10 896	33 122	39 500	47 196	47 196	47 196	14 651	3 200	-
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		524	22 054	4 356	40 427	39 557	39 557	39 557	2 200	1 000	750
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		126 524	98 713	193 004	145 984	187 845	187 845	187 845	64 565	4 400	1 500
Total Capital Expenditure - Vote		470 690	245 589	374 893	386 739	421 916	421 916	421 916	306 419	301 543	302 633
Capital Expenditure - Functional											
Governance and administration		44 351	5 223	20 092	32 159	25 436	25 436	25 436	2 070	1 031	750
Executive and council		9 021	15	2	20	40	40	40	-	-	-
Finance and administration		35 329	5 208	20 090	32 139	25 351	25 351	25 351	1 837	1 031	750
Internal audit		-	-	-	-	45	45	45	233	-	-
Community and public safety		26 966	31 250	131 392	148 863	139 224	139 224	139 224	42 095	27 050	30 717
Community and social services		12 162	19 797	21 820	22 593	29 567	29 567	29 567	20 905	9 650	2 000
Sport and recreation		14 804	11 452	10 278	7 472	10 859	10 859	10 859	19 550	17 400	28 717
Public safety		-	-	-	-	-	-	-	1 640	-	-
Housing		-	-	99 294	118 798	98 798	98 798	98 798	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		215 245	108 845	82 662	89 076	142 142	142 142	142 142	137 157	141 964	136 689
Planning and development		139 311	57 725	61 384	19 357	76 994	76 994	76 994	37 079	42 100	44 250
Road transport		56 234	37 666	21 277	69 718	65 148	65 148	65 148	100 058	99 864	92 439
Environmental protection		19 700	13 453	-	-	-	-	-	20	-	-
Trading services		183 808	100 011	140 747	115 642	114 114	114 114	114 114	122 597	126 498	134 477
Energy sources		35 700	12 359	19 211	25 000	18 577	18 577	18 577	20 747	26 247	22 025
Water management		86 438	52 632	40 878	41 885	43 895	43 895	43 895	51 050	43 900	45 500
Waste water management		52 749	33 156	80 658	20 500	23 386	23 386	23 386	3 000	26 351	26 952
Waste management		8 921	1 865	-	28 257	28 257	28 257	28 257	47 800	30 000	40 000
Other		321	260	-	1 000	1 000	1 000	1 000	2 500	5 000	-
Total Capital Expenditure - Functional	3	470 690	245 589	374 893	386 739	421 916	421 916	421 916	306 419	301 543	302 633
Funded by:											
National Government		145 396	114 067	193 882	164 795	236 323	236 323	236 323	199 599	213 851	227 088
Provincial Government		6 522	28 415	88 908	125 338	112 593	112 593	112 593	6 820	6 650	-
District Municipality		6 667	-	-	-	-	-	-	-	-	-
Other transfers and grants		64 989	18 768	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	223 573	161 250	282 790	290 133	348 917	348 917	348 917	206 419	220 501	227 088
Borrowing	6	63 047	2 880	21 226	-	-	-	-	-	-	-
Internally generated funds		184 070	81 459	70 877	96 607	72 999	72 999	72 999	100 000	81 042	75 545
Total Capital Funding	7	470 690	245 589	374 893	386 739	421 916	421 916	421 916	306 419	301 543	302 633

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2019/20, R242 million has been allocated to capital budget of which R186 million is funded from grants.
3. Single-year capital expenditure has been appropriated at R65 million for the 2019/20 financial year and decreases over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national, provincial grants and internally generated funds to be raised during 2019/2020 financial year. For 2019/2020, capital transfer is R206 million or 67 per cent and increases to R227 million over MTREF. Internally generated funding during 2019/20 is appropriated to R100 million or 33 per cent of total capital budget, then proposed budget of R80 million and R66 million for each of the respective financial years of the MTREF.

Table 18 MBRR Table A6 - Budgeted Financial Position**GT481 Mogale City - Table A6 Budgeted Financial Position**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash		26 118	14 487	30 792	203 074	162 549	162 549	162 549	211 358	505 162	814 263
Call investment deposits	1	41 173	109 940	9 582	116 486	54 993	54 993	54 993	109 480	116 049	123 012
Consumer debtors	1	420 758	375 576	376 833	468 952	376 833	376 833	376 833	406 979	431 398	452 968
Other debtors		18 520	38 561	34 324					37 070	39 294	41 259
Current portion of long-term receivables		—	—								
Inventory	2	15 202	18 600	19 652	16 308	19 652	19 652	19 652	19 652	19 751	19 849
Total current assets		521 772	557 163	471 184	804 820	614 027	614 027	614 027	784 540	1 111 654	1 451 351
Non current assets											
Long-term receivables			—								
Investments		70 294	632	684					718	754	792
Investment property		486 713	502 001	665 387	506 131	506 131	506 131	506 131	665 387	665 387	665 387
Investment in Associate		—	—								
Property, plant and equipment	3	5 570 128	5 531 659	5 592 793	5 795 731	5 833 780	5 833 780	5 833 780	5 603 392	5 601 715	5 584 024
Biological											
Intangible		14 869	7 785	4 837	19 993	17 121	17 121	17 121	6 362	6 382	7 132
Other non-current assets		2 452	2 466	2 466					2 466	2 466	2 466
Total non current assets		6 144 455	6 044 543	6 266 167	6 321 856	6 357 033	6 357 033	6 357 033	6 278 325	6 276 704	6 259 801
TOTAL ASSETS		6 666 227	6 601 706	6 737 351	7 126 676	6 971 060	6 971 060	6 971 060	7 062 865	7 388 358	7 711 152
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	65 915	140 059	62 527	34 666	36 228	36 228	36 228	34 809	36 173	30 112
Consumer deposits		67 331	68 773	67 908	67 570	67 908	67 908	67 908	67 908	68 247	68 589
Trade and other payables	4	687 775	798 690	845 110	439 808	535 154	535 154	535 154	849 214	853 338	857 483
Provisions		15 273	17 265	4 660	28 251	18 533	18 533	18 533	4 660	4 660	4 660
Total current liabilities		836 292	1 024 787	980 206	570 295	657 823	657 823	657 823	956 592	962 419	960 845
Non current liabilities											
Borrowing		506 955	386 472	323 192	348 065	294 185	294 185	294 185	293 089	249 191	219 078
Provisions		239 360	242 648	252 180	242 648	242 648	242 648	242 648	252 180	252 180	252 180
Total non current liabilities		746 315	629 120	575 372	590 714	536 833	536 833	536 833	545 269	501 371	471 259
TOTAL LIABILITIES		1 582 608	1 653 907	1 555 578	1 161 009	1 194 656	1 194 656	1 194 656	1 501 861	1 463 790	1 432 103
NET ASSETS	5	5 083 620	4 947 799	5 181 773	5 965 667	5 776 404	5 776 404	5 776 404	5 561 004	5 924 568	6 279 048
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		5 070 960	4 931 706	5 162 870	5 947 893	5 757 501	5 757 501	5 757 501	5 542 101	5 905 664	6 260 145
Reserves	4	12 660	16 093	18 903	17 775	18 903	18 903	18 903	18 903	18 903	18 903
TOTAL COMMUNITY WEALTH/EQUITY	5	5 083 620	4 947 799	5 181 773	5 965 667	5 776 404	5 776 404	5 776 404	5 561 004	5 924 568	6 279 048

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 19 MBRR Table A7 - Budgeted Cash Flows**GT481 Mogale City - Table A7 Budgeted Cash Flows**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		463 341	468 862	498 821	609 972	560 158	560 158	560 158	576 922	611 537	648 229
Service charges		1 385 469	1 454 792	1 534 973	1 536 062	1 497 272	1 497 272	1 497 272	1 628 404	1 757 462	1 864 234
Other revenue		291 000	124 454	157 966	90 291	230 224	230 224	230 224	244 037	258 679	274 200
Government - operating	1	273 032	299 181	342 502	393 901	390 138	390 138	390 138	424 272	461 028	497 707
Government - capital	1	164 481	136 988	298 282	290 133	348 917	348 917	348 917	206 419	220 501	227 088
Interest		32 382	44 164	47 655	47 649	49 533	49 533	49 533	52 505	55 655	58 994
Dividends		20	21	23					-	-	-
Payments											
Suppliers and employees		(2 132 778)	(2 212 574)	(2 338 342)	(2 363 297)	(2 461 828)	(2 461 828)	(2 461 828)	(2 555 319)	(2 723 936)	(2 871 138)
Finance charges		(39 232)	(52 697)	(52 960)	(45 984)	(56 658)	(56 658)	(56 658)	(50 423)	(47 371)	(44 744)
Transfers and Grants	1	(68 517)	-	-	-	-	-	-	(5 125)	(5 466)	(5 761)
NET CASH FROM/(USED) OPERATING ACTIVITIES		369 197	263 192	488 920	558 726	557 755	557 755	557 755	521 692	588 089	648 809
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					21 000	21 000	21 000	21 000	-	-	-
Decrease (Increase) in non-current debtors		42	-						-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(470 690)	(240 247)	(349 600)	(386 739)	(421 916)	(421 916)	(421 916)	(306 419)	(301 543)	(302 633)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(470 649)	(240 247)	(349 600)	(365 739)	(400 916)	(400 916)	(400 916)	(306 419)	(301 543)	(302 633)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-		100 000	75 000	75 000	75 000	100 000	50 000	-
Borrowing long term/refinancing		38 488	-						-	-	-
Increase (decrease) in consumer deposits		6 198	-						-	-	-
Payments											
Repayment of borrowing		(41 840)	(45 487)	(143 698)	(134 666)	(109 666)	(109 666)	(109 666)	(34 809)	(36 173)	(30 112)
NET CASH FROM/(USED) FINANCING ACTIVITIES		2 846	(45 487)	(143 698)	(34 666)	(34 666)	(34 666)	(34 666)	65 191	13 827	(30 112)
NET INCREASE/ (DECREASE) IN CASH HELD											
		(98 605)	(22 542)	(4 378)	158 321	122 174	122 174	122 174	280 463	300 373	316 064
Cash/cash equivalents at the year begin:	2	165 897	67 295	44 752	44 753	40 375	40 375	40 375	40 375	320 838	621 211
Cash/cash equivalents at the year end:	2	67 292	44 752	40 375	203 074	162 549	162 549	162 549	320 838	621 211	937 275

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. As part of the 2018/19 mid-year review and Adjustment Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.
4. Cash and cash equivalents at the beginning of year predicts a surplus of R40 million and as at the end of the 2019/20 financial year project a surplus of R321 million and increases to R937 million during 2021/22.

Table 20 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	67 292	44 752	40 375	203 074	162 549	162 549	162 549	320 838	621 211	937 275
Other current investments > 90 days		(0)	79 674	–	116 486	54 993	54 993	54 993	0	–	–
Non current assets - Investments	1	70 294	632	684	–	–	–	–	718	754	792
Cash and investments available:		137 585	125 059	41 059	319 560	217 542	217 542	217 542	321 556	621 965	938 066
Application of cash and investments											
Unspent conditional transfers		14 058	8 852	24 344	66 482	66 482	66 482	66 482	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	237 907	381 428	445 345	(87 363)	77 890	77 890	77 890	72 361	39 220	9 073
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		251 966	390 280	469 689	(20 880)	144 372	144 372	144 372	72 361	39 220	9 073
Surplus(shortfall)		(114 380)	(265 221)	(428 631)	340 440	73 169	73 169	73 169	249 195	582 745	928 993

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular No. 42 and 93 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table above it can be seen that from 2015/16 to 2017/18 audited outcome indicated a shortfall of R114 million and increases to R429 million during 2017/18, this has put pressure in our cash flow for about 3 years. The projection for 2019/2020 indicates a surplus of R249 million increasing over the MTREF to R929 million.
5. The objective for this budget for the 2019/20 MTREF must ensure that the budget is funded and aligned to section 18 of the MFMA.

Table 21 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management

31481 Moggie City - Table A9 Asset Management											
Description		Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
CAPITAL EXPENDITURE											
1	Total New Assets	1	347 419	183 186	350 430	285 034	267 826	267 826	230 320	239 543	240 215
	Roads Infrastructure		35 217	5 796	494	1 000	902	902	42 000	49 000	53 632
	Storm water Infrastructure		37 854	11 983	19 211	13 000	13 577	13 577	19 867	23 247	22 025
	Electrical Infrastructure		48 008	37 016	40 348	20 500	23 386	23 386	3 500	26 851	27 452
	Sanitation Infrastructure		35 260	32 482	78 829	5 000	5 000	5 000	16 120	—	—
	Solid Waste Infrastructure		—	—	—	—	—	—	—	—	—
	Rail Infrastructure		—	—	—	—	—	—	—	—	—
	Coastal Infrastructure		—	—	—	—	—	—	—	—	—
	Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
	Infrastructure		158 540	173 951	159 648	118 903	122 778	122 778	135 051	144 488	150 109
	Community Facilities		11 272	13 113	39 148	12 447	15 196	15 196	6 970	7 850	7 000
	Sport and Recreation Facilities		—	—	—	—	—	—	—	—	—
	Community Assets		11 272	13 113	39 148	12 447	15 196	15 196	19 191	16 200	16 800
	Heritage Assets		1 006	—	—	—	—	—	1 000	2 000	—
	Revenue Generating		—	—	—	—	—	—	—	—	—
	Non-revenue Generating		—	—	—	—	—	—	—	—	—
	Investment properties		—	—	—	—	—	—	—	—	—
	Operational Buildings		954	5 901	40 130	562	562	562	29 950	39 400	41 750
	Housing		139 174	46 493	99 294	118 798	98 798	98 798	—	—	—
	Other Assets		140 128	52 393	130 424	119 360	99 360	99 360	29 950	39 400	41 750
	Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
	Services		—	—	—	—	—	—	—	—	—
	Licences and Rights		3 645	2 245	6 041	4 500	2 500	2 500	2 305	—	750
	Intangible Assets		2 645	2 245	6 041	4 500	2 500	2 500	2 305	—	750
	Computer Equipment		1 331	1 275	118	6 133	1 217	1 217	1 338	31	—
	Furniture and Office Equipment		—	—	—	255	1 085	1 085	2 633	—	—
	Machinery and Equipment		33 497	177	6 033	3 900	3 253	3 253	3 800	1 700	1 500
	Transport Assets		—	—	—	22 437	22 437	22 437	29 082	27 864	27 300
	Land		—	—	—	—	—	—	2 000	—	—
	Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
2	Total Renewal of Existing Assets	2	123 271	62 403	1 722	50 670	104 927	104 927	9 500	7 800	15 567
	Roads Infrastructure		21 013	10 468	—	5 000	2 300	2 300	5 000	2 000	3 000
	Storm water Infrastructure		—	—	—	2 000	2 000	2 000	—	—	—
	Electrical Infrastructure		—	—	—	12 000	5 000	5 000	1 000	3 000	—
	Water Supply Infrastructure		3 413	376	—	—	—	—	—	—	—
	Sanitation Infrastructure		17 488	584	—	—	—	—	—	—	—
	Solid Waste Infrastructure		—	785	—	—	—	—	—	—	—
	Rail Infrastructure		—	—	—	—	—	—	—	—	—
	Coastal Infrastructure		—	—	—	—	—	—	—	—	—
	Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
	Infrastructure		79 752	28 484	530	19 000	5 300	5 300	6 000	5 000	3 000
	Community Facilities		26 408	27 186	1 192	27 011	87 581	87 581	3 200	800	500
	Sport and Recreation Facilities		14 771	4 524	—	3 559	7 047	7 047	2 000	500	12 067
	Community Assets		47 179	31 710	1 192	30 670	94 627	94 627	3 200	2 000	12 067
	Heritage Assets		400	—	—	—	—	—	—	—	—
	Revenue Generating		—	—	—	—	—	—	—	—	—
	Non-revenue Generating		—	—	—	—	—	—	—	—	—
	Investment properties		—	—	—	—	—	—	—	—	—
	Operational Buildings		706	2 196	—	—	—	—	300	—	—
	Housing		1 254	—	—	1 000	1 000	1 000	—	—	—
	Other Assets		1 939	2 196	—	1 000	1 000	1 000	300	—	—
	Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
	Services		—	—	—	—	—	—	—	—	—
	Licences and Rights		—	—	—	—	—	—	—	—	—
	Intangible Assets		—	—	—	—	—	—	—	—	—
	Computer Equipment		—	—	—	—	—	—	—	—	—
	Furniture and Office Equipment		—	—	—	—	—	—	—	—	—
	Machinery and Equipment		—	—	—	—	—	—	—	—	—
	Transport Assets		—	—	—	—	—	—	—	—	—
	Land		—	—	—	—	—	—	—	—	—
	Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
6	Total Upgrading of Existing Assets	6	—	—	22 741	51 035	49 163	49 163	66 599	54 200	46 850
	Roads Infrastructure		—	—	—	25 700	23 828	23 828	24 000	19 000	6 000
	Storm water Infrastructure		—	—	—	—	—	—	—	—	—
	Electrical Infrastructure		—	—	—	—	—	—	—	200	850
	Water Supply Infrastructure		—	—	—	—	—	—	—	—	—
	Sanitation Infrastructure		—	—	—	—	—	—	—	—	—
	Solid Waste Infrastructure		—	—	—	22 857	22 857	22 857	31 400	30 000	40 000
	Rail Infrastructure		—	—	—	—	—	—	—	—	—
	Coastal Infrastructure		—	—	—	—	—	—	—	—	—
	Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
	Infrastructure		—	—	12 162	48 557	46 684	46 684	55 400	49 200	46 850
	Community Facilities		—	—	482	2 479	2 479	2 479	8 609	—	—
	Sport and Recreation Facilities		—	—	—	—	—	—	—	—	—
	Community Assets		—	—	12 646	2 479	2 479	2 479	8 609	—	—
	Heritage Assets		—	—	—	—	—	—	—	—	—
	Revenue Generating		—	—	—	—	—	—	—	—	—
	Non-revenue Generating		—	—	—	—	—	—	—	—	—
	Investment properties		—	—	—	—	—	—	—	—	—
	Operational Buildings		—	—	6 901	—	—	—	—	—	—
	Housing		—	—	—	—	—	—	2 500	5 000	—
	Other Assets		—	—	6 901	—	—	—	2 500	5 000	—
	Biological or Cultivated Assets		—	—	—	—	—	—	—	—	—
	Services		—	—	—	—	—	—	—	—	—
	Licences and Rights		—	—	3 195	—	—	—	—	—	—
	Intangible Assets		—	—	—	—	—	—	—	—	—
	Computer Equipment		—	—	—	—	—	—	—	—	—
	Furniture and Office Equipment		—	—	—	—	—	—	—	—	—
	Machinery and Equipment		—	—	—	—	—	—	—	—	—
	Transport Assets		—	—	—	—	—	—	—	—	—
	Land		—	—	—	—	—	—	—	—	—
	Zoo's, Marine and Non-biological Animals		—	—	—	—	—	—	—	—	—
4	Total Capital Expenditure	4	470 690	245 589	374 893	386 739	421 916	421 916	306 419	301 543	302 633
	Roads Infrastructure		56 230	16 263	494	31 700	27 029	27 029	71 000	70 000	62 632
	Storm water Infrastructure		41 267	26 700	20 784	25 000	18 577	18 577	20 867	26 447	22 875
	Electrical Infrastructure		48 008	33 066	40 878	41 385	43 898	43 898	60 564	45 400	47 000
	Water Supply Infrastructure		52 749	33 066	78 829	20 500	23 386	23 386	3 500	26 851	27 452
	Sanitation Infrastructure		—	—	—	27 007	27 007	27 007	47 620	30 000	40 000
	Solid Waste Infrastructure		—	—	—	—	—	—	—	—	—
	Rail Infrastructure		—	—	—	—	—	—	—	—	—
	Coastal Infrastructure		—	—	—	—	—	—	—	—	—
	Information and Communication Infrastructure		—	—	—	—	—	—	—	—	—
	Infrastructure		236 292	142 299	180 196	164 480	178 752	178 752	193 451	198 698	199 959
	Community Facilities		37 681	40 299	52 502	41 936	105 255	105 255	18 869	8 650	2 500
	Sport and Recreation Facilities		14 771	4 524	482	3 559	7 047	7 047	19 191	16 200	29 866
	Community Assets		52 454	44 823	82 650	48 593	112 362	112 362	36 060	26 850	37 367
	Heritage Assets		1 406	—	—	—	—	—	1 000	2 000	—
	Revenue Generating		—	—	—	—	—	—	—	—	—
	Non-revenue Generating		—	—	—	—	—	—	—	—	—
	Investment properties		—	—	—	—	—	—	—	—	—
	Operational Buildings		1 660	8 096	47 031	562	562	562	30 250	39 400	41 750
	Housing		140 408								

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE (Property, Plant & Equipment).
3. During 2019/20 financial year 24.8 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of PPE for 2019/20 is 7.6 per cent and is increasing to 8.81 per cent during 2021/22. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.

Table 22 MBRR Table A10 - Basic Service Delivery Measurement

GT481 Mogale City - Table A10 Basic service delivery measurement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Household service targets	1									
Water:										
Piped water inside dwelling		68 140	72 338	77 218	81 851	81 851	81 851	82 800	84 456	86 145
Piped water inside yard (but not in dwelling)		40 403	38 690	39 859	42 251	42 251	42 251	42 741	43 596	44 467
Using public tap (at least min.service level)	2	7 441	5 383	5 950	6 307	6 307	6 307	6 380	6 508	6 638
Other water supply (at least min.service level)	4	—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		115 984	116 410	123 027	130 408	130 408	130 408	131 921	134 560	137 251
Using public tap (< min.service level)	3	4 770	3 873	3 641	3 859	3 859	3 859	3 904	3 982	4 062
Other water supply (< min.service level)	4	1 309	1 291	1 214	1 286	1 286	1 286	1 301	1 327	1 354
No water supply		3 613	3 117	2 930	3 106	3 106	3 106	3 142	3 204	3 268
<i>Below Minimum Service Level sub-total</i>		9 692	8 281	7 784	8 251	8 251	8 251	8 347	8 514	8 684
Total number of households	5	125 676	124 691	130 811	138 659	138 659	138 659	140 268	143 073	145 935
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		124 716	101 162	103 932	110 168	110 168	110 168	111 445	113 674	115 948
Flush toilet (with septic tank)		58 400	6 815	6 474	6 863	6 863	6 863	6 942	7 081	7 223
Chemical toilet		46 109	3 404	3 234	3 428	3 428	3 428	3 468	3 537	3 608
Pit toilet (ventilated)		2 920	2 700	2 565	2 719	2 719	2 719	2 750	2 805	2 862
Other toilet provisions (> min.service level)		88 740	5 634	5 352	5 673	5 673	5 673	5 739	5 854	5 971
<i>Minimum Service Level and Above sub-total</i>		320 885	119 715	121 557	128 850	128 850	128 850	130 345	132 952	135 611
Bucket toilet		3 924	2 817	2 676	2 837	2 837	2 837	2 870	2 927	2 986
Other toilet provisions (< min.service level)		1 029	728	692	733	733	733	742	756	771
No toilet provisions		1 085	1 431	1 359	1 441	1 441	1 441	1 458	1 487	1 517
<i>Below Minimum Service Level sub-total</i>		6 038	4 976	4 727	5 011	5 011	5 011	5 069	5 171	5 274
Total number of households	5	326 924	124 691	126 284	133 861	133 861	133 861	135 414	138 122	140 885
Energy:										
Electricity (at least min.service level)		24 925	107 477	110 164	116 774	116 774	116 774	118 129	120 491	122 901
Electricity - prepaid (min.service level)		6 035	6 307	6 338	6 719	6 719	6 719	6 797	6 933	7 072
<i>Minimum Service Level and Above sub-total</i>		30 960	113 784	116 503	123 493	123 493	123 493	124 926	127 424	129 973
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		5 823	6 086	6 117	6 484	6 484	6 484	6 559	6 690	6 824
Other energy sources		—	4 821	3 665	3 885	3 885	3 885	3 930	4 009	4 089
<i>Below Minimum Service Level sub-total</i>		5 823	10 907	9 781	10 369	10 369	10 369	10 489	10 699	10 913
Total number of households	5	36 784	124 691	126 284	133 861	133 861	133 861	135 414	138 122	140 885
Refuse:										
Removed at least once a week		81 500	103 020	105 544	111 877	111 877	111 877	113 175	115 438	117 747
<i>Minimum Service Level and Above sub-total</i>		81 500	103 020	105 544	111 877	111 877	111 877	113 175	115 438	117 747
Removed less frequently than once a week		2 159	2 073	1 990	2 109	2 109	2 109	2 133	2 176	2 220
Using communal refuse dump		3 091	2 967	2 849	3 020	3 020	3 020	3 055	3 116	3 178
Using own refuse dump		13 720	13 171	12 644	13 403	13 403	13 403	13 558	13 830	14 106
Other rubbish disposal		824	791	759	805	805	805	814	831	847
No rubbish disposal		4 091	2 668	2 498	2 647	2 647	2 647	2 678	2 731	2 786
<i>Below Minimum Service Level sub-total</i>		23 885	21 671	20 740	21 984	21 984	21 984	22 239	22 684	23 137
Total number of households	5	105 385	124 691	126 284	133 861	133 861	133 861	135 414	138 122	140 885
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		45 500	45 728	10 619	12 000	10 000	10 000	15 000	15 174	15 350
Sanitation (free minimum level service)		45 500	47 810	10 619	12 000	10 000	10 000	15 000	15 174	15 350
Electricity/other energy (50kwh per household per month)		42 300	44 210	10 619	12 000	10 000	10 000	15 000	15 174	15 350
Refuse (removed at least once a week)		245	245	10 619	12 000	10 000	10 000	15 000	15 174	15 350
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		43 612	54 912	—	625	625	625	675	728	785
Sanitation (free sanitation service to indigent households)		12 021	12 858	18 994	9 194	9 194	9 194	9 920	10 704	11 549
Electricity/other energy (50kwh per indigent household per month)		5 154	5 541	3 244	661	661	661	723	782	822
Refuse (removed once a week for indigent households)		18 945	14 994	16 514	18 454	18 454	18 454	19 562	20 735	21 980
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		40 083	45 053	—	—	—	—	—	—	—
Total cost of FBS provided		119 816	133 357	38 753	28 934	28 934	28 934	30 879	32 948	35 137
Highest level of free service provided per household										
Property rates (R value threshold)		40 000	40 000	40 000	50 000	50 000	50 000	50 000	50 000	50 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)		—	—	—	90	90	90	114	121	128
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		240	240	240	240	240	240	240	240	240
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		13 954	12 097	13 683	15 032	15 032	15 032	15 032	15 934	16 890
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		224 274	250 764	261 881	269 350	284 382	284 382	284 382	301 445	319 532
Water (in excess of 6 kilolitres per indigent household per month)		—	—	—	—	—	—	—	—	—
Sanitation (in excess of free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—
Electricity/other energy (in excess of 50 kwh per indigent household per month)		—	—	—	—	—	—	—	—	—
Refuse (in excess of one removal a week for indigent households)		—	—	—	—	—	—	—	—	—
Municipal Housing - rental rebates		—	—	—	—	—	—	—	—	—
Housing - bp structure subsidies		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	—	—
Total revenue cost of subsidised services provided	6	238 228	262 861	275 564	284 382	299 415	299 415	299 415	317 380	336 423

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Mogale City continues to make progress with the eradication of backlogs:
 - a. Water services – (below minimum service level) 8 347 households are provided by water through water tankering. These households are largely found in ‘rural areas’ and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
 - b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
 - c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.
3. The budget provides for 15 000 households to be registered as indigent in 2019/20 currently Mogale City is providing free basic services to 9 768 households. The number is set to increase to 15 530 households over the MTREF given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.

2. Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 29 August 2018. Key dates applicable to the process were:

PHASES	ACTIVITIES	RESPONSIBLE	DATES
Phase 1 Planning Process			
	Departmental Strategic plan: IDP Process Plan outline.	IDP Manager	June- July
	Submission for Exco/Budget Committee recommendation for approval	EM: SMS	July 2018
	Adoption of IDP/ Budget Process Plan 2019/2020.	Council	August 2018
Strategic IDP/Budget workshop for Mayoral Committee and Senior Management	Presentation and adoption of the strategic plan 2018-2021	IDP and BTO	October 2018
	Review of 2018/19 public participation to determine the following: <ul style="list-style-type: none"> • What needs to be improved for the public participation? • What are the possible alternatives for the next public participation? • Presentations of Community Inputs/Service Delivery achievement. by Departments to Budget Committee 	EM: SMS; IDP and Public Participation office.	October 2018
	MEC comments review and Integration	IDP Division	Oct/Nov 2018
	Executive Managers/Managers complete IDP/Budget input forms.	All Departments	November 2018
	Public Participation Process- IDP Roadshows	IDP division; Public Participation Office;	November 2018

PHASES	ACTIVITIES	RESPONSIBLE	DATES
Phase 2 Analysis			
Community and stakeholder analysis	IDP inputs Community and stakeholder register	IDP division/ BTO	October 2018
	Consideration of economic priorities	Financial Services/IDP division	Oct/Nov 2018
	Institutional analysis	Corporate Services	Oct/Nov 2018
	Spatial Priorities	Planning and Development	Oct/Nov 2018
	Demographic/Socio-Economic Priorities	IDP Division	Oct/Nov 2018
	Institutional transformation	All Departments	Oct/Nov 2018
	Compliance with IDP legal framework	The entire municipality	Oct/Nov 2018
	Alignment of Priorities	IDP Division	Nov 2018
PHASE 3 STRATEGIES			
Strategic focus identification	Vision and Mission	The entire municipality	November 2018
	Objectives and development priorities	The entire municipality	November 2018
	Priority Programme and Project Identification	The entire municipality	Jan/Feb 2019
PHASE 4 PROGRAMME AND PROJECTS			
Project & programme proposals	Priority Programmes and Projects	All Departments	Feb 2019
Project costing	CAPEX and OPEX costing	BTO Division	March 2019
	Setting of project targets and indicators	All Departments	
PHASE 5 INTEGRATION			
	MEC comments	IDP Division	January/Feb 2019
	Sectoral plans	All Departments	
	Operational plans		
	Midyear Performance review	M& E Division	January 2019
	<ul style="list-style-type: none">Agreement on the 2018/2019 adjustment budgetAgreement on changes proposed by Executive Mayor and Councillors on IDP/Budget on 2017/2018 adjustment budget	BTO Divisions	January 2019

PHASES	ACTIVITIES	RESPONSIBLE	DATES
PHASE 6 APPROVAL			
	Tabling of the draft IDP/Budget	IDP/Budget Division	March 2019
	Tabling of the draft IDP/Budget/SDBIP to council	Executive Mayor	March 2019
	Public Notice inviting comments	IDP Division	April 2019
	Statutory Public Participation process	EM: SMS; IDP Division, Co-operative Governance, Public Participation Office, Secretariat;	April/May 2019
	Responses to and incorporation of comments including portfolio Committees inputs		
	Tabling of IDP/Budget/SDBIP for consideration/ approval.	Council	May 2019
PHASE 6 APPROVAL	Submission of the approved IDP to the MEC of Local Government	IDP Division	June 2019

2.2 Overview of budget related-policies

2.2.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.2.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14, 2014/15, 2015/16, 2016/17 and 2018/19 financial years remain in force for the 2019/20 financial year:

1. Borrowing Policy
2. Budget Management Policy
3. Cash Management & Investment Policy
4. Long Term Financial Planning Policy
5. Waste Management Policy
6. Write Off Policy
7. Sports & Recreation Facilities Tariff Policy
8. General Tariff Policy
9. Public Safety Tariff Policy
10. Development Contribution for Engineering Services Policy
11. Water Services By-laws
12. Mogale City Tree Management & Conservation Policy
13. Mogale City Parks By-Laws

2.2.3 Review of Property Rates Policy

Changes are proposed to the 2018/2019 Property Rates Policy as follows:

1. Replaced "Education" with Educational (Private School) in Paragraph 2.11.
2. Replaced "Institutional" with Place of Public Worship in Paragraph 2.16
3. Inclusion of additional meaning to Mining in Paragraph 2.20.
4. Revenue to Add/Include new Tariff for Mining Properties at a Ratio of 1:2,5.
5. Inclusion of New Private Township Developments/Developers Account rebate in paragraph 2.25
6. Addition on Paragraph 2.29 Office Bearer.
7. Addition on Paragraph 2.30 (a) (b) Official Residence.
8. Addition/Inclusion of Paragraph 15.1.a. A person liable for rate to furnish municipality with address where the account is to be send.
9. Addition to paragraph 18.3 Supplementary valuation of all properties which were affected by supplementary to be compiled and publish at least once a year.
10. Addition/ Inclusion of an Addendum as well as Rates Ratio's.
11. Inclusion of a fee for the request of Outcome of Objection and Furnishing of reasons at R350.00 per property.
12. Inclusion of Section 13 (1) (c) PSI shall be exempted from property rates.

2.2.4 Review of credit control and debt collection policy

Changes and additions are proposed to the 2018/19 policy as follows:

6.5.1 Clause reconnection will be done within 48 hours was added.

6.8 The clause was added, provided those units in a flat or complex have their own individual meters and those meters belong to the municipality not Body corporate or Home owner's association, except in the case where all residents are approved indigents.

6.11. 4.2 All legal and debt collection costs, including attorney and own client costs incurred by the Municipality and/or the appointed Debt Collectors/Attorneys in the recovery of arrear amounts, may be recovered, raised and levied on the account of the debtor clause is removed.

Net salary range earned by the consumer clause 6.14.2.1 has been amended as follows;

Income Range	Deposit
R 1 000 – R 5 999	25 % of the outstanding debt
R 6 000 – R 12 999	35%
R 13 000 – R 29 999	50 %
R30 000 and above	60%

6.12.5 The clause was added which reads, consumers who settle their account will receive hundred percent interest write off as an incentive. The municipality may over and above the interest write off, consider writing off an amount of not more than fifty percent of admin fees and charges for consumer who settle their accounts.

6.14.2.12 Assistant Managers and the Manager

2.2.5 Changes and additions are proposed to the 2018/19 approved policy all the changes and additions are bold and in italic on the attached policies.

1. Virement Policy
2. Indigent Management Policy
3. Indigent Burial Policy
4. Grant-In-Aid Policy
5. Supply Chain Management Policy
6. Asset Management Policy
7. Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy
8. %1 Corporate Social Responsibility Policy
9. Asset Management Policy
10. Travelling Allowance Policy

2.3 Overview of budget assumptions

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2019/2020 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Mogale City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 28 per cent of total operating expenditure in the 2019/2020 MTREF.

2.3.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2019/2020 financial year.

2.3.2 Collection rate for revenue services

It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, having considered this it is prudent to assume that tariff increases will be modest going forward.

The rate of revenue collection is currently expressed as a percentage (**92 per cent**) of annual billings. Cash flow is assumed to be 92 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.3.3 Salary increases

Employees' salaries overall increase by 7.1% based on based on the projected CPI plus 1,5% with effect from 1 July 2019 as per the salary and wage collective agreement for the period 01 July 2018 to 30 June 2021 dated 15 August 2018. The projected CPI to be used is the forecast of the Reserve Bank, in terms of the January 2019 Monetary Policy Committee Statement.

Remuneration for councillors is increasing by 6% this is based on actual costs approved in accordance with the recent Government Gazette of Public Office Bearers Act.

2.3.4 Impact of national, provincial and local policies

Integration of service delivery objectives between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDP, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs, particularly as it relates to what mSCOA requires. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.3.6 The South African economy and inflation targets

South Africa finds itself at a crossroads. The Medium Term Budget Policy Statement (MTBPS) presented by the Minister of Finance, highlights the difficult economic and fiscal choices confronting government over the next several years. In the 2018 MTBPS, the Minister of Finance stated that given *the current economic climate the country faces, the government is confronted by difficult economic and fiscal choices over the medium term*. The Minister further indicated that South Africa needs to choose a path that leads to faster and more inclusive economic growth and strengthens private and public sector investment.

During the first half of this year, South Africa experienced a technical recession – that is, declining of the two consecutive quarters of Gross Domestic Product (GDP) – driven primarily by contractions in agriculture and mining.

The 2018 projected GDP growth forecast has been revised down from 1.5 per cent to 0.7 percent. Growth is expected to recover gradually to over 2 per cent in 2021 as confidence returns and investment gathers pace”.

Mogale City is committed to focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore, will ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform our planning. Financial sustainability means that future generations will not be burdened with paying for services that today’s taxpayers enjoy.

2.3.7 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from ‘Ratepayers and other’ to be provide for as cash inflow based on actual performance. In other words, the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

Table 23 MBRR Table A7 - Budget cash flow statement**GT481 Mogale City - Table A7 Budgeted Cash Flows**

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		463 341	468 862	498 821	609 972	560 158	560 158	560 158	576 922	611 537	648 229
Service charges		1 385 469	1 454 792	1 534 973	1 536 062	1 497 272	1 497 272	1 497 272	1 628 404	1 757 462	1 864 234
Other revenue		291 000	124 454	157 966	90 291	230 224	230 224	230 224	244 037	258 679	274 200
Government - operating	1	273 032	299 181	342 502	393 901	390 138	390 138	390 138	424 272	461 028	497 707
Government - capital	1	164 481	136 988	298 282	290 133	348 917	348 917	348 917	206 419	220 501	227 088
Interest		32 382	44 164	47 655	47 649	49 533	49 533	49 533	52 505	55 655	58 994
Dividends		20	21	23					-	-	-
Payments											
Suppliers and employees		(2 132 778)	(2 212 574)	(2 338 342)	(2 363 297)	(2 461 828)	(2 461 828)	(2 461 828)	(2 555 319)	(2 723 936)	(2 871 138)
Finance charges		(39 232)	(52 697)	(52 960)	(45 984)	(56 658)	(56 658)	(56 658)	(50 423)	(47 371)	(44 744)
Transfers and Grants	1	(68 517)	-	-	-	-	-	-	(5 125)	(5 466)	(5 761)
NET CASH FROM/(USED) OPERATING ACTIVITIES		369 197	263 192	488 920	558 726	557 755	557 755	557 755	521 692	588 089	648 809
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					21 000	21 000	21 000	21 000	-	-	-
Decrease (Increase) in non-current debtors		42	-						-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(470 690)	(240 247)	(349 600)	(386 739)	(421 916)	(421 916)	(421 916)	(306 419)	(301 543)	(302 633)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(470 649)	(240 247)	(349 600)	(365 739)	(400 916)	(400 916)	(400 916)	(306 419)	(301 543)	(302 633)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-		100 000	75 000	75 000	75 000	100 000	50 000	-
Borrowing long term/refinancing		38 488	-						-	-	-
Increase (decrease) in consumer deposits		6 198	-						-	-	-
Payments											
Repayment of borrowing		(41 840)	(45 487)	(143 698)	(134 666)	(109 666)	(109 666)	(109 666)	(34 809)	(36 173)	(30 112)
NET CASH FROM/(USED) FINANCING ACTIVITIES		2 846	(45 487)	(143 698)	(34 666)	(34 666)	(34 666)	(34 666)	65 191	13 827	(30 112)
NET INCREASE/ (DECREASE) IN CASH HELD											
		(98 605)	(22 542)	(4 378)	158 321	122 174	122 174	122 174	280 463	300 373	316 064
Cash/cash equivalents at the year begin:	2	165 897	67 295	44 752	44 753	40 375	40 375	40 375	40 375	320 838	621 211
Cash/cash equivalents at the year end:	2	67 292	44 752	40 375	203 074	162 549	162 549	162 549	320 838	621 211	937 275

The above table shows that cash and cash equivalents of the City remains positive from 2015/16 at R67 million, then increases during 2019/20 financial year and over the MTREF.

2.3.8 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Table 24 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

City of Cape Town - Table A6: Cash-backed Reserves Accumulated Surplus Reconciliation											
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	67 292	44 752	40 375	203 074	162 549	162 549	162 549	320 838	621 211	937 275
Other current investments > 90 days		(0)	79 674	–	116 486	54 993	54 993	54 993	0	–	–
Non current assets - Investments	1	70 294	632	684	–	–	–	–	718	754	792
Cash and investments available:		137 585	125 059	41 059	319 560	217 542	217 542	217 542	321 556	621 965	938 066
Application of cash and investments											
Unspent conditional transfers		14 058	8 852	24 344	66 482	66 482	66 482	66 482	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	237 907	381 428	445 345	(87 363)	77 890	77 890	77 890	72 361	39 220	9 073
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		251 966	390 280	469 689	(20 880)	144 372	144 372	144 372	72 361	39 220	9 073
Surplus(shortfall)		(114 380)	(265 221)	(428 631)	340 440	73 169	73 169	73 169	249 195	582 745	928 993

The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. **Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**
- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven-year perspective.

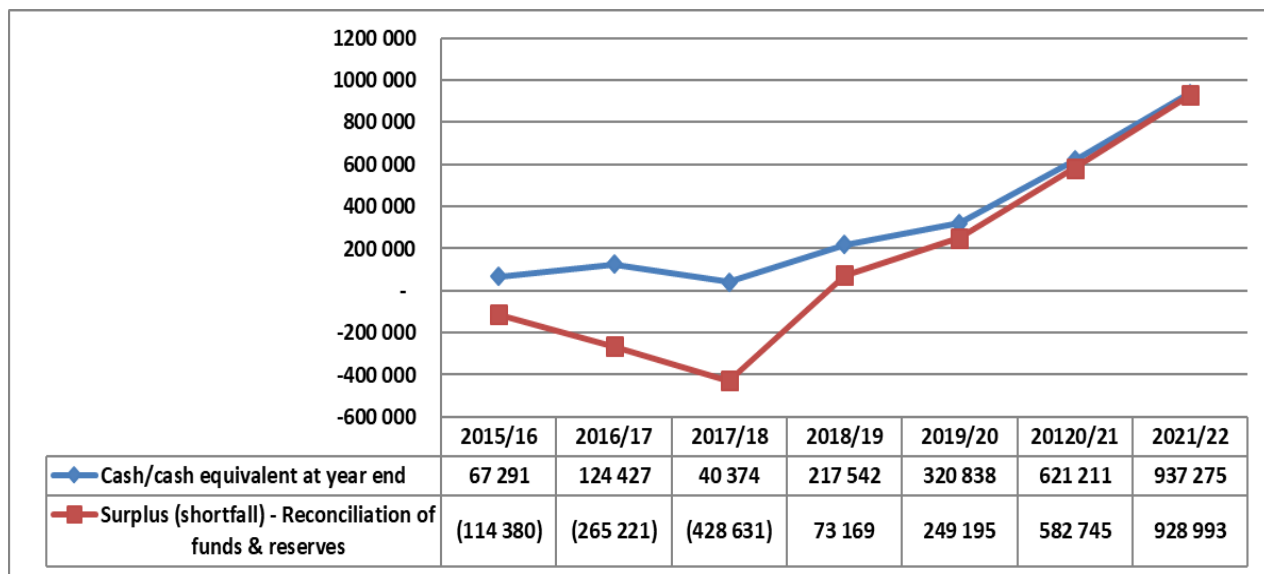


Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has been submitted in time.

2. Internship programme

The City is participating in the Municipal Financial Management Internship programme since March 2004 to June 2018, currently Mogale City have absorbed permanently three interns of the ten hired during 2018/2019 financial year. During the 2018/19 financial year employed 7 interns to undergo training in various divisions of the Financial Services and will soon advertise for three more. Since the introduction of the Internship programme Mogale City has successfully employed and trained twenty-eight (28) interns through this programme and majority of them were appointed in Mogale City.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional from 2013/14 financial year Mogale City is utilizing shared district audit committee.

5. Service Delivery and Implementation Plan

The SDBIP content is based on the draft IDP, strategic plan objectives outlined.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

8. mSCOA Implementation

The implementation of the project is still currently on course; Mogale City have tabled the budget in the mSCOA format since 2018/2019 financial year. mSCOA requires that each item of expenditure be linked to a project, this is at the core of planning. As we implement the project we are effectively moving away from item based budgeting to project driven budgeting. We will table, as an attachment to this report, an annexure which details the budget by project, and furthermore there will be additional annexure which links amounts on the budget to six segments using GUID codes. In the coming months more focus will be on preparing 2019/2020 budget and producing Schedule A1 on the financial systems, and conversion of other datasets and finalizing asset register to be in mSCOA format.